S. HRG. 98-1199

POTENTIAL OPPORTUNITIES FOR REFORESTATION OF MARGINAL CROPLANDS

HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

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POTENTIAL OPPORTUNITIES FOR REFORESTATION OF MARGINAL CROPLANDS

MONDAY, JUNE 11, 1984

U.S. SENATE,
SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
Tupelo, MS.

The subcommittee met at 9:08 a.m., in the auditorium of the Lee County Public Library, 219 Madison, Tupelo, MS, Hon. Thad Cochran presiding.

Present: Senator Cochran.

DEPARTMENT OF AGRICULTURE

STATEMENT OF DOUGLAS W. MacCLEERY, DEPUTY ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. If the subcommittee hearing will come to order. Again, I want to first thank each of you who is here today to assist in the conduct of the hearing, and for your cooperation with our subcommittee.

This hearing is held under the auspices of the Interior Appropriations Subcommittee of the U.S. Senate. Senator Jim McClure of the State of Idaho is the chairman of the subcommittee, and it is because of his approval and the approval of the chairman of the full committee, Senator Mark Hatfield, that this hearing has been made possible.

The purpose of the hearing is to identify implications of a proposed program to help farmers with delinquent Farmers Home Administration loans to keep from losing their home and farm by amortizing their debts from the revenues generated by harvesting pine trees planted on crop and forage land. The Agricultural Programs Adjustment Act of 1984 directed the Secretary of Agriculture to report to the Congress by October 1 on the feasibility and implementation of this program. Authority for the program is contained in Public Law 98–258, title VI, section 608.

PURPOSE OF THE HEARING

For some background information, this law is the recently passed farm bill which made adjustments to target prices, made changes in the Wheat Program for this crop year, and also made some changes in Farmers Home Administration lending authorities. In addition to that, there was an amendment which I offered on the floor of the Senate with the cosponsorship of Senator Sam Nunn of Georgia, which was approved by the Senate and included as section 608 of this bill. It says:

> Notwithstanding any other provision of law, the Secretary of Agriculture may develop and implement a program for the amortization of delinquent Farmers Home Administration loans from future revenues generated by timber crops planted and managed on lands previously used to produce commodities or pasture, and subject to Farmers Home Administration liens. The Secretary shall submit a report to Congress by October 1, 1984, outlining the feasibility of such program and the plan for its implementation.

This hearing today is directly related to the approval by the U.S. Senate of that amendment, which was offered in connection with this farm bill. It is my hope that by coming to Mississippi, a State where we have a large number of delinquent Farmers Home Administration loans, and where we have many landowners who are facing the loss of their lands, that this will be an area where we can get agriculture leaders and experts in the area of forestry together to discuss the feasibility of this program. This should aid the Department of Agriculture so that they will have a complete factual picture on which to base their feasibility study. So I think this will be of much assistance to the Congress and the Department when we take testimony this morning addressing these delinquent loan programs.

PROBLEMS IN AGRICULTURAL ECONOMY

The entire agricultural economy has suffered greatly the last several years for many reasons, most of which have been beyond the control of the average farmer. A record-high farm debt with declining farm equity is the most evident indication of how disastrous these years have been for farmers. Inadequate profit has been the most significant factor contributing to this general farm economy condition.

I am interested in testimony from panelists regarding all aspects of converting crop and forage land to southern pine tree farms, including conservation benefits. But I am especially interested in information about profit potential for farmers.

FEASIBILITY STUDY ON LAND CONVERSION

A feasibility study, released in December 1983 by the Department of Agriculture, indicated that converting marginal crop and forage lands to southern pines would be highly beneficial to landowners by greatly increasing returns per acre. I have here a copy of that report from the Department of Agriculture. It was because of this report that we began looking seriously at the prospect of a Federal program that would provide assistance to farmers in making a transition from traditional forage

or crops on marginal land to the growing of pine trees. This is a report that includes studies in nine different States and shows that timber crops rank in the top six crops in terms of volume and real prices.

In Mississippi, the market value of timber production ranked first when compared with crops and livestock in 1981. In 1983, forest products reached $484 million and was the second most valuable agriculture crop in the State, exceeded only by cotton. The study found that custom, desire, and need for annual cash flows have been the major deterrents to planting pine trees.

At least two conditions exist in the agricultural economy today that demand consideration of tree farming as an option for some farmers. First, and I believe the most important, those farmers addressed by the program to be discussed today need to be engaged in an enterprise for which there is a potential for a significant profit, or they may lose their home and farm. Second, many of the enterprises these farmers are currently engaged in are not likely to offer the immediate financial help needed to save their homes and farms.

BENEFITS OF CONVERSION TO TREE PLANTINGS

Many factors contributed to the current-use pattern of agricultural land. But in many instances, these decisions have not produced profitable enterprises. If some agricultural land needs to shift to other uses in order to generate a profit, I do not believe that means the land necessarily must change owners. I believe every effort must be made to allow individuals and family farms to retain ownership of agricultural land. If southern pine tree farming can help maintain individual ownership of land due to its profit potential, I believe it should receive full consideration as an option to help these financially troubled farmers.

I also believe that the additional conservation benefits that could be achieved from converting crop and forage land to pine trees by stopping excessive soil erosion and improving watershed conditions and fish and wildlife habitat, require that we see if the historical deterrents can be overcome and feasible programs be made available for any farmer to consider.

Mississippi has just completed a long-term forestry plan for the State entitled "Pathways for Forestry in Mississippi." This plan is an important forestry document because it provides the goals necessary to ensure that Mississippi forestry expands to meet State and national needs while contributing a large portion of the State's economy, jobs for our citizens, tax revenues, and improved quality of life.

One of these goals is to bring all suitable nonforested idle acres and marginal cropland and pasture under forest management. I am pleased to see the dynamic plan the Mississippians have developed to guide the growth of forestry into the 21st century. This plan is essential to the State and meets the congressional objectives of developing long-term national goals and objectives for Federal and State forestry programs. My position on the Interior Appropriations Subcommittee has given me the opportunity to assure that Federal appropriations are targeted to sustaining a dynamic Forestry Assistance and Research Program.

I was pleased last year when we received a report from the Office of Technology Assessment, at my request and at the request of Senator Hatfield, which looked at the long-range implications of forest uses and timber land use. One of the conclusions made in that report which we discussed at a meeting at Mississippi State University at the dedication of that forestry research laboratory was that we are going to reach a point when we do not have enough land devoted to forestry in the southeast.

The southeast has a very important national asset as far as timber growth is concerned. We are blessed with the kind of weather conditions and soil conditions that permit fast growth to take place, and that makes us different from any other part of the country. Because of this unique asset, the Nation is going to be depending upon the southeast for its forestry resources more and more as time goes on. I mention that as an aside, because that report from the Office of Technology Assessment, which is the technical research arm of the U.S. Congress, is another important document. When viewed with the product of the State's work, which I just mentioned, the study of the Department of Agriculture, and the work that is now being undertaken by the Department in response to the amendment on the recent farm bill, I think all are going to come together to provide us with important information on which we can base new policies and programs that will, in turn, directly benefit landowners who are struggling now to use their lands in a way to generate profit that is really just not working.

We are finding marginal lands and pasture lands being used in a way that is not generating profit and is causing some to be put in very serious financial conditions. That is the reason why we are here today, to talk about this and to try to help generate additional information to provide direction to the Congress and to the Department.

INVITATION TO PARTICIPATE IN HEARING

Well, I didn't intend to make such a long-winded opening statement, and I apologize to you for that, because we are really here today to hear from those who are testifying as witnesses before the committee. We have invited certain witnesses to be available today, and we appreciate your attendance. We do want to make it clear that we are interested in the viewpoints and suggestions of any interested citizen, and for those who may not have been invited to specifically be a part of the witness panels that will be before the committee today, we want to encourage you to provide the committee with any statement that you like. These do not have to be in any special form. Even a letter to the committee can be included as a part of the testimony of this hearing and will be considered as important as any other testimony that is received by the committee and will be given full weight.

We will leave the record of the hearing open for a few weeks at the conclusion of our hearing today, so that we can receive additional comments or statements from anyone who would like to contribute to the hearing.

PREPARED STATEMENT

Our first witness today is a representative of the Department of Agriculture, Mr. Douglas MacCleery. He is Deputy Assistant Secretary for Natural Resources and Environment. He will present testimony on the Department's views regarding the economic implications and opportunities related to conversion of marginal cropland in Mississippi, and elsewhere, to southern pine tree plantings. We appreciate your being here. We know you have a prepared statement, which we thank you for, and we will include that in its entirety in the record at this point and ask you to proceed in any way you choose.

[The statement follows:]

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STATEMENT OF DOUGLAS W. MACCLEERY

The Department of Agriculture is pleased to participate with you in this field hearing to discuss the conversion of marginal cropland to forest land. I would like to comment on the recently published USDA report "Conversion of Southern Cropland to Southern Pine Tree Plantings." My Departmental colleagues from Mississippi will put the study in a more local context. I will also briefly discuss that section in the recently enacted Agricultural Programs Adjustment Act of 1984 calling for the establishment of a program to amortize delinquent FmHA loans through the planting of trees.

The conversion for conservation feasibility study was initiated in 1982 at the request of Assistant Secretaries of Agriculture John Crowell and William Lesher. The purpose of the study was to determine whether and to what extent it might be economic to convert low-productivity southern cropland to southern pine plantations. Where such conversion is shown to be economically efficient on its own merits, it would also provide other, broader public benefits. These include the reduction of soil erosion and an improvement in the outlook for timber supplies to support the growing forest products industry in the South, as well as benefits to consumers in the form of reducing the rate of increase in wood products prices.

For the purposes of the study, marginal lands were identified as those soils in the southern pine tree growing range which are erosive. They are those lands which return only the costs of production or less if in farm crop or livestock use, or produce lower net returns per acre to land and management than could be realized from tree plantations on a sawtimber rotation.

For the South as a whole, 17 million acres were identified as meeting this definition. Two-thirds of this area was classified in forage production (pasture) and one-third was in crop production. These estimates are influenced by market price assumptions for farm and forest products, and by the discount value selected in making net present value calculations. The range in total acreage where pine plantations have a greater net return per acre than crop and pasture production is from three million to 17 million acres.

In Mississippi, the study identified 3.3 million marginal acres. Fully two-thirds of this acreage was estimated to have negative economic returns from crop or livestock use. Most of the rest had net returns lower than what could be realized from tree crops, based on 1979 prices.

Tree crop returns were based on loblolly pine rotations of 45 years, with thinnings at ages 17, 25, and 35 years. The average annual growth of these plantations was estimated to be 139.5 cubic feet per acre per-year (1.8 cords). The average initial investment per acre was about $50. Before tax rates of return on the cost of establishing and growing trees, assuming constant real stumpage prices over time at 1979 levels, were calculated to be over 12 percent per year. If real stumpage prices increases are projected, the rate exceeds 14 percent. These rates of return do not consider the fixed costs of land ownership, such as property taxes or the cost or value of the land.

The economics appear to show that such conversion is cost-effective. I hasten to point out that while it offers promise in accomplishing several objectives, it is not a panacea. Those considering conversion to trees must recognize that their annual cash flow from these lands will stop. For those farmers who have a significant mortgage against the land for crop production purposes, it could be difficult to make this shift in production. Loan amortization may require considerably higher returns, on an annual basis, than would be forthcoming by tree production. This fact has relevance to the proposal to amortize delinquent FmHA loans through the planting of trees.

On the other hand, several indirect impacts are possible from a cropland conversion program. There would be some reduction in total crop and livestock production. However, because the lands we are discussing are marginal and of relatively low productivity, such a reduction would be quite modest and would not be enough to affect product prices or reduce the cost of commodity support programs. There could also be some adverse impacts on the community and employment due to the reduced agricultural production. These may be offset to some extent by increased employment in forest production activities.

On the forestry side, conversion to pine crops would increase long-term timber supplies (after 2000) and thus dampen increases in stumpage and forest product prices. The additional supplies would reduce or eliminate the drawdown in softwood supplies projected for the period beyond 2000. This would serve to provide industry with an assurance that timber supplies would be available to sustain future production of wood and paper products. Relating the study findings to Mississippi, we find that planting the 3.3 million acres of marginal crop and pasture land in the State would expand the commercial forest land area in the State by 20 percent. Each acre planted could, on the average,

produce 28 cords of pine pulpwood and 22,000 board feet of pine sawtimber over a 45-year rotation period. With today's technology, the total volume of wood thus provided could support six pulpmills and 60 sawmills. Of course, actual output would depend upon the rate and extent of conversion and other factors.

Costs of tree planting on cropland are only about half that of converting hardwood to pine or planting after harvest. This means it would produce twice as much wood per dollar because the yields per acre are higher on croplands compared to harvested forest land and because some of the planted forest lands would have regenerated naturally to pine without the necessity for planting.

In summary, a shift in use from marginal cropland production to pine tree production can serve soil conservation objectives, as well as provide a contribution to the economy and welfare of the Nation and to the pine region of the entire South for these reasons--

-- there would be a dampening of expected increases in softwood timber prices,

-- rates of return on the investment are competitive with the real cost of capital,

-- there would be a reduction in soil erosion that would otherwise occur under crop use, and

-- such investments provide high timber yields per dollar of investment when compared to forestland planting.

I must point out that the study was limited to estimating the economic potential for conversion of cropland to pine production. No options for policy or program direction were examined. This activity lies ahead of us and will be a prominent issue in the Department's development of policy options for the 1985 Farm Bill.

A USDA Extension bulletin based on the Conversion for Conservation Study is now being assembled. This bulletin will convey the findings of the study and list sources of help for tree planting. We expect to distribute several hundred thousand copies, primarily to landowners in the South, through the Extension Service and other agencies, so that landowners can be made aware of the opportunities provided by conversion of cropland to pine.

You requested a status report on USDA's action on Title VI, Section 608, of the Agricultural Programs Adjustment Act of 1984 relating to the amortization of delinquent FmHA loans by the planting of trees. This section directs that

the Secretary set up a study group to develop the information necessary to respond to the legislation. The Farmers Home Administration, Forest Service, and Economic Research Service are represented on this study team. The findings of the cropland conversion study relate to the Section 608 study because the potential for amortizing the debt would vary widely depending on assumptions concerning future prices of pulpwood and sawtimber stumpage, long-term inflation, costs of capital and the interest costs to borrowers for residual debt over the timber rotation period.

The study currently is seeking to determine what the distribution of FmHA debt-per-acre is among borrowers, how this debt relates to their farmland value, and the amount of debt-per-acre held by other creditors. This latter factor is a significant aspect of the issue under consideration. As I mentioned earlier, a tree crop is not conducive to annual cash flow. Some cash flow, however, may be necessary to satisfy debt from other than FmHA creditors. If a switch to a tree crop is made, these creditors may want to recover their outstanding loans. To carry this point further, we will need to find out to what extent these FmHA borrowers, can pay taxes and provide for their family living needs if cash flow from crops is reduced.

We are well along in the study and expect to meet the October 1 deadline for a report to Congress. I must emphasize that we have not yet undertaken the policy considerations that must be resolved after the factual analysis is complete. Hence, I do not wish to speculate on where the Department may come out regarding a cropland to trees conversion program for certain FmHA borrowers.

Thank you for the opportunity to appear here today. I would be happy to discuss the cropland conversion study further or answer any questions you may have.

Mr. MACCLEERY. Thank you, Mr. Chairman. I appreciate the opportunity to participate with you in this field hearing on this highly important subject which you very articulately described.

I would first like to comment on a recent report which you have shown, "The Conversion of Southern Cropland to Southern Pine Plantings" and discuss what went into that study and some of the findings of that study. I would also briefly like to discuss at the end of my testimony, a provision in the recently enacted Agricultural Programs Adjustment Act, which you described, which requires USDA to evaluate a program to amortize delinquent Farmers Home loans through the planting of trees.

The conversion for conservation feasibility study was initiated back in 1982 at the request of the Assistant Secretaries of Agriculture, John Crowell and Bill Lesher. The purpose of this study was to determine whether and to what extent it might be economic to convert low-productivity southern cropland and pasture land to southern pine plantations. Where such conversion is shown to be economically efficient on its own merits, it would provide other broader public benefits. These include reduction of soil erosion and improvement in the outlook for timber products to support the growing forest products industry in the South, as well as benefits to consumers in the form of reducing the rate of increase in wood products prices.

I would like to depart a little bit from my prepared testimony to describe some of the background as to why we initiated this study. We were faced with several problems to which we thought there might be a common solution. The first problem was that we knew that the demand for lumber, plywood, and other wood products nationally is projected to outstrip supplies over the next four decades. We felt it necessary to consider what steps would be necessary to provide the wood to meet that increased demand at reasonable prices so that consumer prices didn't go up at inordinate rates, which would occur if we didn't do anything to improve the management of our forest lands.

Another problem was our projections of a possible softwood timber supply crunch here in the South during the next two decades. Evidence is that existing softwood stands are being harvested at rates which cannot be sustained over the long term. We have considerable evidence that nonindustrial private landowners are not taking the steps which are necessary to regenerate their timber lands to pine after harvest. Many of these stands are receiving no treatment after harvest and are converting back to hardwood trees of low value. We need to consider steps to deal with this problem.

A third problem is the high soil erosion rates common to much marginal cropland. Much of this land is eroding at several times the rate of soil formation, and conversion to forest would significantly reduce these erosion rates.

The fourth problem we had hoped to address, at least to a minor degree, was the economic burden to the Nation of agricultural support

payments. We are hopeful that if enough marginal cropland were taken out of production, the resulting savings in agricultural support payments might be sufficient to fund a paid conversion of cropland to pine program. So given all of these considerations, we initiated this study to determine what kinds of factors were involved here and what sort of compatibility might exist to solve a series of these problems with one program, which is encouraging conversion of marginal cropland. The study was a fairly intensive one. It took several months to complete and it involved several divisions within the Department of Agriculture. For the purposes of this study, the marginal lands were identified as those soils in the southern pine growing range which return only the cost of production or less if in farm crop or livestock use, or alternatively, produce lower net returns per acre in crop use to land and management than would be realized if the land were in tree plantations on a sawtimber rotation.

ACREAGE OF MARGINAL CROPLAND IN THE SOUTH

For the South as a whole, about 17 million acres were identified as meeting the definition of marginal cropland. Two-thirds of this area was classified in forage production and one-third was in crop production. These estimates were influenced by market price assumptions for farm and forest products and by the discount value selected in making present net value calculations. The area of marginal cropland varied from 3 to 17 million acres, depending on our assumptions as to what future farm crops would be worth, the projected value of future forest crops, and the discount rate we applied to the analysis.

We found that over 9 million acres of land, at 1979 crop prices, does not even return the cost of production. This is land for which the annual cost is more than what farmers are getting in return on the cost of managing that land for crop use. The range in total acreage where pine plantations are projected to have greater net returns than crop use, as I mentioned, is anywhere from 3 to 17 million acres, depending on the assumptions. The most sensitive factor is the estimate of what the future crop values are going to be. If you project that future crop prices are going to increase at a moderate rate, the estimate of marginal cropland is anywhere from 13 to 17 million acres.

In Mississippi, the study identified 3.3 million marginal acres. Fully two-thirds of this acreage was estimated to have negative economic returns on an annual basis from crop or livestock use. Most of the rest had net returns lower than what could be realized from tree crops, based on 1979 timber prices.

Tree crop returns were based on loblolly pine rotations of 45 years, with assumptions that there would be three thinnings at 10-year cycles, beginning at age 17. Before-tax rates of return on the cost of establishing and growing trees, assuming constant real stumpage prices over time at 1979 levels, were calculated to be over 12 percent per year. This is a real rate of return after the effects of inflation and it is a before-tax rate of return. Actually, after-tax rates of return are higher than before-tax

rates of return, given the favorable tax treatment that planting trees has gotten since 1980, with the passage of a Federal law allowing the landowner to expense part of the cost of reforestation and amortize those costs. This law provides a tax credit and a rapid amortization of the costs of planting the trees. So actually, the after-tax rate of return from planting trees is higher than the before-tax rate of return, given that situation.

If real stumpage price increases are projected, the rate of return from planting marginal cropland, in many cases, exceeds 14 percent. This is a real rate of return, as opposed to what you would get at a bank, with the effect of inflation cranked into the interest rate. So this would be comparable to, say, a 19- or 20-percent rate of return on an investment. This is if real stumpage price increases are assumed in the analysis. I would like to point out here that, historically, real stumpage prices have increased more rapidly than the general rate of inflation. They have averaged about 2 percent a year more than the average rate of inflation. The Forest Service projects that the real price of southern pine stumpage is going to increase in the neighborhood of 2 percent annually more than the rate of inflation. So that would also show that the potential for a favorable investment in forest management exists.

These rates do not consider the fixed cost of land ownership such as property taxes or the cost or the value of the land. You couldn't go out and buy land and get this kind of rate of return. This is assuming that you already own the land and you are going to retain that land and you have an alternative here either to put it into crop or forage use or to put it into trees.

IMPACTS OF CONVERSION

So, the economics appear to show that conversion to southern pine is very cost effective. I would like to point out, though, that while the economics show favorable long-term rates of return, it is not a panacea. The most significant problem is that of the lack of an annual cash flow under trees. Those considering conversion of trees to pine must recognize that their annual cash flow will stop and for those farmers who have a significant mortgage or other debt against the land, it could be very difficult to make this shift. Loan amortization may require considerably higher returns on an annual basis than would be forthcoming by tree production. This fact has relevance to the proposal to amortize delinquent Farmers Home loans through the planting of trees.

On the other hand, several indirect impacts are possible from a cropland conversion. There would be some reduction in total crop and livestock production programs. However, because the lands we are discussing are marginal and are of relatively low productivity, such a reduction would be quite modest and would not be enough to affect product prices or reduce the cost of commodity support programs. We had hoped that we could affect, or use some of the savings in commodity support programs to support this program. However, there would be little effect on the cost of commodity support programs as a result of

this. Only 4 percent of soybean, cotton, and peanut production is on these marginal lands. And only 1 percent of corn, sorghum, and wheat occurs on these lands. So it would not have a large impact—even if we were to convert the entire 17 million acres, which is unlikely—on commodity support programs.

But on the forestry side, the effects would be more substantial. Conversion to pine crops would increase long-term timber supplies and thus dampen increases in stumpage and forest products prices. The additional supplies could reduce or eliminate the projected drawdown in softwood supplies in the South for the period beyond 2000. This would provide industry with an assurance that timber supplies would be available to sustain future production of wood and wood products. Relating the study findings to Mississippi, we find that planting the 3.3 million acres of marginal crop and pasture land in the State would expand the commercial forest land base in the State by 20 percent. Each acre planted could, on the average, produce 28 cords of pine pulpwood and 22,000 board feet of pine sawtimber over the 45-year rotation period. With today's technology, the total volume of wood thus produced would support six pulpmills and 60 sawmills. Of course, the actual output would depend on the rate and the extent of conversion and other factors.

The cost of tree planting on cropland is only one-half that of converting hardwood to pine or even planting an area to pine after it is harvested. The reason is that there are no site preparation costs associated with planting pine on cropland, where there is a site preparation cost if you clear hardwoods and plant pine. Even if you cut an existing pine stand, you need to prepare the site before you plant it. So the costs are very favorable. This means that it would produce twice as much wood per dollar because the yields per acre are higher on croplands compared to harvested forest land and because some of the planted forest lands would have regenerated naturally to pine without the necessity for planting.

In summary, a shift in use from marginal cropland production to pine production can serve soil conservation objectives, as well as provide a contribution to the economy and the welfare of the Nation and to the pine region of the entire South for the following reasons: There would be a dampening of expected increases in softwood timber prices; rates of return on the investment are competitive with other investments; there would be a reduction in soil erosion that would otherwise occur under crop use; and such investments would provide high timber yields per dollar of investment when compared to forest land planting.

USDA ACTIVITIES RELATED TO CONVERSION

I should point out that the study was limited to estimating the economic potential for conversion of cropland to pine plantations. No options for policy or program direction were examined. This activity lies ahead of us and will be a prominent issue in the Department's development of policy options for the 1985 farm bill.

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A USDA Extension Service bulletin based on this study is now being put together. This bulletin will convey the findings of the study and list the sources of help for tree planting. We expect to distribute several hundred thousand copies, primarily to landowners in the South, through the Extension Service and other agencies, so that landowners can be made aware of the opportunities provided by conversion of cropland to pine.

You requested a status report on the Department's action on title VI, section 608 of the Agricultural Programs Adjustment Act, relating to the amortization of delinquent Farmers Home loans. This section requests the Secretary to set up a study group to develop the information necessary to respond to the legislation. The Farmers Home Administration, the Forest Service, and the Economic Research Service, and the Department are represented on this study team. The findings of the cropland conversion study relate directly to this study and will be given great consideration in our deliberations. This study currently is seeking to determine what the distribution of Farmers Home debt per acre is among borrowers, how this debt relates to their farmland value, and the amount of debt per acre held by other creditors. This latter factor, the debt held by other creditors, is an extremely significant aspect of the issue. As I mentioned earlier, a tree crop is not conducive to annual cash flow. Some cash flow, however, may be necessary to satisfy debt held by other than Farmers Home creditors. If a switch to a tree crop is made, these creditors may wish to recover their outstanding loans. To carry this point further, we will need to find out to what extent these Farmers Home borrowers can pay taxes and provide for their family living needs if cash flow from farm crops is reduced. Another problem is the age of landowners holding Farmers Home loans. Our preliminary information is that the average age may be over 50 years, which means that if these lands are converted into cropland, the property will probably be involved in an estate proceeding before the first crop is taken off the land. This raises concerns and problems that we need to sort out before we initiate a program.

We are well along with this study and expect to meet the October 1 deadline for a report to Congress. I must emphasize that we have not yet undertaken the policy considerations that must be resolved after we complete this factual analysis. Hence, I cannot speculate as to where the Department may come out on that particular issue.

Thank you, Mr. Chairman, for the opportunity to speak here today. I would be happy to discuss this study or anything else that you may wish to discuss.

TIMING OF LAND CONVERSION

Senator COCHRAN. Thank you very much, Mr. Secretary. I thank you for being here and for the quality of the statement that you have provided to the subcommittee this morning. I wonder, in reviewing your statement and listening to your testimony, whether or not we need to encourage those owners of marginal cropland to begin now converting

to pine trees and whether we should now be providing technical assistance and information to assist in that kind of conversion. Even though there may not be a national program available, it would qualify for cost sharing or other kinds of incentives. The reason I ask that is that I worry that people will hear about the fact that there is a study underway, that there has been some legislation pointing toward the development of a program, and that this might hold out some hope, so that if a farmer would just wait awhile, there might be some magic solution that will come along from Washington for some of these problems. We don't want to create the wrong impression. We don't want to mislead folks. What is your suggestion to someone who might be considering making that kind of conversion now? Do they go ahead with it or do they wait on Washington to provide some kind of new program?

Mr. MACCLEERY. Well, given the very significant and severe budget situations we have in Washington and the limitations which we are going to see for the foreseeable future on new programs coming from Washington, coupled with the very favorable rates of return that a landowner can get on their own merits—rates of return that are based on the economics of this situation—I would encourage landowners who have this opportunity, to look very carefully at it. They can get help from their State forester to look at what the economic opportunities are on their particular piece of land. In the South, there is a very extensive number of forestry consultants who can get into very detailed analysis for a landowner who has, for example, 50 or 60 acres of forest land. After retaining a forestry consultant to look at his particular situation, a farmer may find it is very favorable. So I would encourage anyone who has forest land or has cropland that could be converted to pine, to look at the economics in his particular situation or her particular situation and whether it seems to fit into their long-term goals.

AVAILABILITY OF TECHNICAL ASSISTANCE TO LANDOWNERS

Senator COCHRAN. Do you find that the relationship between the Department and State foresters is such that technical assistance and other information is available to landowners to help make decisions of this kind?

Mr. MACCLEERY. Well, we are working to improve—we are always working to improve the quality of the technical assistance we provide the landowners. I think it has improved substantially in the last few years. We are working to improve it even more. The State forester can certainly provide help through the service foresters on the economics. More detailed help can be available through forestry consultants, of which there are many in the South. It is an evolutionary process. We are, as I mentioned, putting together an extension bulletin designed for landowner use, to begin to acquaint the landowners with the possibility that there may be an economic opportunity out there. The extension bulletin will list other sources of help, such as the State foresters, and provide information on consulting help that might be available as well. So we are trying to provide the opportunity for the landowner first to

understand what opportunities might exist and then show him where additional help could be obtained. This has been one of the problems, I think, one of the barriers to conversion of cropland to timber, is that landowners in the past have not been familiar with the opportunities. A particular landowner may not plant pine very often, and may not actively manage his land. When he does, it is only two or three times, maybe once a decade that work is required, and so he is not involved in it on a year-to-year basis like he is in his Farm Program, where every year he makes decisions. In a forestry crop, you make decisions more infrequently, of course, and you don't get used to the sources of information that are available to you. This is one of the barriers we have found. Even though it is economic, many people are not aware of how favorable it is.

Senator COCHRAN. I appreciate your help this morning and I am also encouraged by your statement that the Department expects to meet the October 1 deadline that is suggested in the legislation that I referred to in my statement. I think the study will really help us in our effort to try to make sure that every alternative is explored, permitting landowners to keep their land and operate their land, rather than to have lands owned by out-of-State corporations or such as that. I think that would really be a negative factor in terms of our social fabric here in the southeast and in States where we are burdened with a lot of debt—not just Farmers Home Administration debt, but debt from other lenders as well.

Thanks for being here this morning to help us look at the problem and to get a perspective from your office and the Natural Resources and Environment Division of the Department.

Thank you for being here, Mr. MacCleery.

Mr. MACCLEERY. I would just like to add that one of the more troubling things in the study, and which is surprising to me, is just how much cropland on which, on an annual basis, the farmer is losing money every year—at 1979 prices. That, compared with the favorable returns that are available under tree crops, shows a real opportunity here.

FINANCIAL ASSISTANCE TO LANDOWNERS

Senator COCHRAN. Well, I think this is one of the problems we have, and that is just the availability of general information to landowners who are now trying to use land in a way that is producing nothing but just more problems—marginal land that is just not turning a profit. There is no use for some to continue running up against that brick wall. If there is an option, if there are alternatives to it, and particularly if the Government can provide assistance in making a conversion, whether it is technical assistance or some kind of financial incentive like tax benefits or like our Forestry Incentives Program, then we want to discuss it. There is actual financial grant money available—in small quantities, but nonetheless, it is important to some—and it permits them to make the conversion where it would not otherwise be possible.

I have trouble with the administration being so reluctant each year to support the Forestry Incentives Program. There has been an effort to combine that with other conservation programs, treat it as sort of a stepchild in the system. But we are going to make available, I think, another $12 million in our appropriations bill this year, nationwide, to help stimulate conversion through the Forestry Incentives Program. I think that the more farmers become aware of the availability of these assistance programs, the more we will see conversion being made to at least those uses that promise profitability and certainly a better opportunity for financial reward than marginal cropland or pastureland where it is just not working.

Mr. MACCLEERY. We have seen quite a bit of increased interest in planting trees over the last decade. Back in 1972, small, private landowners in the South were planting about 220,000 acres. In 1982, 10 years later, they were planting over, I think, 570,000 acres. They were more than doubling the amount of land that was being planted. The Forestry Incentives Program has helped. Another thing that has helped is the favorable tax treatment of planting that occurred as a result of the amendments to the tax code in 1980.

We are just beginning to see the results of this, where a landowner can get a tax credit and rapid amortization of reforestation. These really improve the economics of planting trees—and now we are starting to see the real benefits from the change in the tax code.

Senator COCHRAN. Well, thank you very much for being here. We appreciate your help at the hearing.

Mr. MACCLEERY. Thank you.

NONDEPARTMENTAL WITNESSES

STATEMENTS OF:

JOHN (DON) BARRETT, MISSISSIPPI STATE DIRECTOR OF THE FARMERS HOME ADMINISTRATION

A.E. "GENE" SULLIVAN, MISSISSIPPI STATE DIRECTOR OF THE SOIL CONSERVATION SERVICE

ROBERT S. "SID" MOSS, MISSISSIPPI STATE FORESTER

Senator COCHRAN. Our next group of witnesses will be a panel composed of Don Barrett, who is the Mississippi State director of the Farmers Home Administration; Mr. Gene Sullivan, who is the Mississippi State director of the Soil Conservation Service; and Sid Moss, the Mississippi State forester.

We are really happy to have the panel before us to present testimony on the current Farmers Home loan situation, the economic and conservation benefits of the program which we are discussing, the Conversion to Timberland Program, and the supply and demand outlook for forest products. We have a very impressive group of witnesses. I feel like the fellow that walked up and said, "I haven't been with this much power since I met with the board of supervisors." [Laughter.]

We will proceed with Mr. Don Barrett, then Gene Sullivan, and Sid Moss. After each has presented his statement, then we will have a chance for discussion. You may proceed.

STATEMENT OF DON BARRETT

Mr. BARRETT. Mr. Chairman, I am pleased to have this opportunity to discuss provisions of the Agricultural Programs Adjustment Act of 1984.

Most of the changes that the act brought about pertaining to the Farmers Home Administration have already been implemented. I would like to briefly review the major provisions and then discuss, in greater detail, the status of the timber crop section.

The emergency loans, first. Nationally, 2,090 counties, or over two-thirds of all the counties in the United States, have been declared eligible for disaster emergency loans—EM loans. A provision in the new law requires that counties adjacent to counties previously designated as disaster counties be made eligible. Under the provision, an additional 508 counties have been designated. In Mississippi, an additional 15 counties were added to the 51 counties previously designated. Currently, 66 of the 82 counties in Mississippi are eligible for disaster emergency loans. I believe that includes all of the counties in northeast Mississippi, Mr. Chairman.

The deadline for receiving applications for EM loans has been extended from 6 to 8 months. For disasters occurring after May 30, 1983, the value of a farmer's assets can be determined using either the day before the Governor requested a disaster designation, or 1 year prior to that date, whichever is more beneficial to the borrower.

Concerning our operating loans, the dollar limit on farm operating loans has been increased from $100,000 to $200,000 for insured loans and from $200,000 to $400,000 for guaranteed loans. The maximum period for which OL loans may be consolidated or extended has been increased from 7 to 15 years.

The interest rate on the original operating, emergency, and farm ownership loans which are deferred, consolidated, rescheduled, or reamortized are either at the current interest rate or the original interest rate, whichever is more beneficial to the farmer. Twenty percent of operating and farm ownership loans must be low-income limited resource borrowers. The act also prohibits any USDA officer or employee involved in approving Farmers Home loans from acquiring property within 3 years for which loans have been requested.

PROVISION DEALING WITH LAND CONVERSION FOR DELINQUENT BORROWERS

Title VI, section 608 of the act—and this is the section which you are responsible for, Mr. Chairman, and for which we in Mississippi, at the Farmers Home Administration, thank you, states:

> Notwithstanding any other provision of law, the Secretary of Agriculture may develop and implement a program for the amortization of delinquent Farmers Home Administration loans from future revenues generated by timber crops planted and managed on lands previously used to produce commodities or pasture and subject to Farmers Home Administration liens. The Secretary shall submit a report to Congress by October 1, 1984, outlining the feasibility of such a program and the plan for its implementation.

The Department has set up a study group, as Mr. MacCleery has told you, that has begun intensive research to determine the feasibility of a Timber Crop Program as outlined. The Department is on schedule with these efforts and expects to meet the October deadline for the report to Congress. I believe it best that I defer any further comment on such a program pending completion of that study, but I will be happy to answer any questions that you may have.

Senator COCHRAN. Thank you very much, Mr. Director.

Mr. Sullivan?

STATEMENT OF GENE SULLIVAN

Mr. SULLIVAN. Mr. Chairman, before I get into my prepared statement, I do want to commend you for your interest in agriculture and conservation in the State and the action that you have taken over the past years.

Senator COCHRAN. Thank you.

Mr. SULLIVAN. As you are well aware, Mississippi has a serious problem with erosion. The State's soil loss is estimated at over 100 million

tons each year. These losses occur on agricultural land, streambanks, urban construction, and other sources. The annual soil loss on cropland places Mississippi well within the top 10 States in the Nation. In previous testimony last year, the economic impact was estimated at $1 billion annually. This represents the loss from the value of the topsoil alone. Other losses occur from depreciation of the value of farmland, loss of nutrients, fertilizer, and organic matter. All of these affect agricultural production, farmers, and eventually all Mississippians.

The conservation benefits of proper land use and treatment are well established in Mississippi, from the extensive Tree Planting Program in the Yazoo-Little Tallahatchie flood prevention project to the Soil Bank Program. These benefits include sustained agricultural and forestry production and improved water quality.

Unfortunately, we estimate that there are still nearly 500,000 acres of land in Mississippi being cultivated that are too steep for row cropping without causing excessive erosion. This steep, marginal land represents about 7 percent of the cultivated cropland in the State, yet it contributes about 29 percent of the cultivated cropland erosion.

Other recent studies evaluate the economics of converting marginal cropland to trees. In fact, these studies estimate Mississippi has 3.3 million acres of economically marginal cropland and pastureland. And as a side note to that, Dr. Neil Cook, who is the regional representative for the Economic Research Service, feels that that figure is probably closer to 4.5 million.

This report also identified some 17 million acres across the South and stated, "The potential impact on land requirements to meet future crop and livestock demands are seen as negligible," because these soils are not highly productive for these uses.

In summary, Mississippi has almost 2 million acres of sloping cropland, about 75 percent of which is eroding at an average annual soil loss rate which exceeds the level needed to maintain high crop yields.

Many of these acres are better suited to trees in terms of soil and watershed protection, as well as economics.

Trees provide excellent soil and water protection, with annual soil loss rates of less than 2 tons per acre, and appear to have a significant potential for contributions to the Mississippi economy. Thank you.

Senator COCHRAN. Thank you very much, Mr. Sullivan.

Mr. Moss?

STATEMENT OF SID MOSS

Mr. Moss. Mr. Chairman, first, I would like to express my thanks to you for allowing me to make this testimony and thank you for your past support in forestry endeavors and programs in Mississippi and the Nation.

When reviewing any of the several agricultural conservation bills being discussed at the national level, they are dealing with such things as financial aid to private landowners, reduction of soil erosion, row crop production, wildlife, clean water, and timber growing. It is very

imperative that we weigh the positive features of these bills that will provide benefits to individuals, States, and the Nation as a whole.

For the following reasons and comments, I feel positive about Public Law 98–258, title VI, section 608 of the Agricultural Programs Adjustment Act of 1984.

IMPORTANCE OF FORESTRY TO MISSISSIPPI

For over 100 years, from 1880 to the 1980's, timber has played a key role in the life and times of both urban and rural Mississippi. Over this period of time, the forestry picture in Mississippi in terms of economic and environmental impact, has been a mixture of promise and prosperity. We have seen our forest lands moving through cycles from virgin forest to heavily cut-over acres, then back into the regenerated forest we now refer to as our major timber land assets.

Mississippi has about 16.5 million acres of commercial forest land, 54 percent of the total State land area. Over 130,000 private nonindustrial landowners, many being local farmers, own nearly 12 million acres, or 72 percent of the commercial forest land in our State. About one-third of the landowners are in a position to implement needed forest and farm land improvements, provided that funding aid in some manner is available.

The economic importance of forestry in Mississippi cannot be overstressed. In 1980, forestry was the No. 1 agriculture crop at the first processing point, valued at $535 million. In 1983, forestry was the No. 2 agriculture crop at the first processing point, valued at about $500 million. Forestry is the second largest employer in Mississippi, with one of every five manufacturing jobs provided by forest industry. And for each dollar of timber stumpage sold, 43 cents in State tax revenue is generated.

Our State's commercial forest land continues to decrease by 20,000 acres annually. This loss of acreage is to agriculture, urbanization, and other nonforest use. In addition to our 16½ million acres of forest land, there are approximately 2 million acres of marginal crop and pasture land in the 4e, 6e, and 7e subsoil class series that should be planted to pines. These acres are presently providing negative net dollar returns to the landowner or farmer. Soil erosion on these lands exceed the maximum acceptable rate of 3 to 5 tons per acre annually. Pine production on these lands would reduce soil erosion and provide net returns to the landowner.

Findings during the "Conversion of Southern Cropland to Southern Pine Tree Plantings—Conversions for Conservation" study indicated that the custom and desire for annual cash flows seemed to be an important factor in keeping marginal crop and pasture land in use. However, as stated before, the average annual net earnings per acre from pine plantations are estimated to exceed annual net returns from crop and pasture use on these marginal acres, while providing excellent reduction in soil erosion.

PREVIOUS FEDERAL PROGRAMS OF CONSERVATION FORESTRY PROGRAMS

For major examples of what conservation programs can do, we need only to recall the dream of a fellow Mississippian and the Civilian Conservation Corps, the CCC activities during the 1930's, when our Nation was pulling through the Depression. Thousands upon thousands of acres of public lands were planted with pine trees, unemployment was reduced, and many conservation projects were completed which are still providing environmental and economic benefits. The CCC tree planting activities not only met short-range objectives, but it has provided long-term benefits to our Nation.

In 1947, the Yazoo-Little Tallahatchie [Y-LT] flood prevention project was initiated in northern Mississippi to help reduce the enormous amounts of soil loss on lands that were eroding at several hundred tons per acre per year. This great tree planting project has reduced soil losses to less than 1 ton per acre per year. Over 1 million acres have been planted to pine trees, and recent Forest Service surveys indicate a retention rate on these lands of 69 percent.

The very successful Soil Bank Program, initiated in 1956, allowed farmers to place agriculture croplands into pine plantations, and was responsible for 1,922,000 acres nationwide to be planted. In Mississippi, 64,680 acres were planted under the Soil Bank Program. The retention rate is about 80 percent.

NEED AND PREPARATION FOR CONVERSION TO TREE FARMING

The cost to plant agricultural lands is much less than reforestation of cut-over timber lands.

Marginal croplands can grow substantial timber volumes per acre and would help meet the projected requirements for softwood in the future.

Mississippi is the No. 1 tree farm State. However, it ranks No. 3 in soil loss. Planting of marginal croplands to pine trees would allow our State to remain the No. 1 tree farm State while reducing our ranking in soil losses. Tree farming is a real agricultural crop which meets a critical need in our overall agricultural system.

Planting of pine trees on marginal croplands would serve to meet our present short-term objectives and provide for long-term benefits.

In reviewing some of the impacts, or maybe a problem that the forestry commission would be faced with in a program of this nature, would be that we would be looking at planting an additional 133,000—approximately 133,000 acres annually. To supply the needed pine seedlings to plant this acreage, we have analyzed our situation.

We currently have three nurseries that the forestry commission operates. We would have to do some improvement work at one of our nurseries, which would cost approximately $900,000. We would need to make a new nursery somewhere in the northeastern part of the State. We would need to produce approximately 70 million additional seedlings. We would need about 33 additional annual personnel to work at the nurseries. Then, when we moved the seedlings out to the field, we would have some additional costs in carrying out the programs. We

would need approximately 49 annual technical type people to help carry the program out. We would need some equipment and operating costs and supplies. We figure that the initial cost, if we get into this program, would be somewhere around $12 million, and annual costs after the first year of operation would be about $5 million, to enable us to supply the required seedlings to plant these marginal croplands.

Thank you, Mr. Chairman.

FARMERS HOME DELINQUENCIES ON MARGINAL LAND

Senator COCHRAN. Thank you very much, Mr. Moss.

I think the panel has really illuminated a problem that we may have suspected existed, but which is confirmed now, and that is that we have a lot of delinquent loans in Mississippi according to the Farmers Home Administration. Much of that is on land that ought to be in pine trees rather than in row crops or forage land.

Now, you gave an acreage of land that, according to the Mississippi State forester's office, would be more economically advantageously used if it were in pine trees. Was that 3 million acres?

Mr. Moss. Approximately 2 million.

Senator COCHRAN. Two million acres of land which is now being farmed in traditional ways, either with grazing cattle, or in row crops, that you know would be producing more profit and a better financial return if it were in pine trees. Is that right?

Mr. Moss. That is correct.

Senator COCHRAN. I wonder if we know how much of this 2 million acres is in this category of the delinquent Farmers Home loans. Is there any way to find that out?

Mr. BARRETT. I am sure that we could find it out, Senator. I don't have those figures this morning. I can give you some general figures that I——

Senator COCHRAN [interposing]. What are your figures that you have on our delinquent Farmers Home loan situation?

Mr. BARRETT. Statewide, in the State of Mississippi, we have 19,386 farmer programs, that is, farmers, borrowers. They owe $1,270,000,000. Of that 19,000 and so, 9,845 are delinquent.

Senator COCHRAN. How many are delinquent?

Mr. BARRETT. Ninety-eight hundred and forty-five, Senator. That is about 51 percent. That is up from 42 percent as of last June 30. If I could narrow it down some for this part of the State, I have some figures that might be interesting. In the First Congressional District—that is, the counties of northeast Mississippi that comprise the First Congressional District—there are 4,500 Farmers Home borrowers out of a total of about 12,000 farms. This is an interesting figure to me that Farmers Home Administration only has 383,000 acres under mortgage, under deed of trust, which is only about 6 percent of the rural land in the district. Now, this suggests to me that—well, a couple of things. In the first place, that a large percentage of the delinquent Farmers Home borrowers rent rather than own land. Consequently, the number of farmers

who might benefit from the Farmers Home Administration aspect of the program and the acreage that might be affected, might be fairly small in relative terms. Of course, in absolute terms, even if 10 percent of those 4,500 borrowers in the first district took part in the program, you are talking about helping or maybe even saving the homesteads of 500 or 600 folks' farms. So it is a very significant program.

Senator COCHRAN. The testimony from Mr. Sullivan indicates that we rank third in the Nation in loss of topsoil per acre, or thereabouts. Our average soil loss is what, some 20 or 30 tons per acre?

Mr. SULLIVAN. The average on cropland runs well over 10, which is about double what you can normally replenish. And we have lots of it that is in the 30-tons-per-acre-per-year category.

EROSION PROBLEMS AND APPROPRIATE LAND USE

Senator COCHRAN. The loss of topsoil for land that is in pine trees is about 2 tons per acre per year, or 10 percent of what it would be if it were in cropland. It seems to me that the combination of the information, conservation value, and the environmental quality value of forestry, compared with the lack of economic benefit to traditional cropland use of marginal land, coupled with the fact that we have serious delinquent situations with Farmers Home loans, to me means that we desperately need a better program to encourage the utilization of our lands in a different way. We have a lot of land out there that is just being misused, and it is costing the Government money, it is costing individual landowners money, and we are seeing a deterioration of our resource base because of loss of topsoil and environmental damages that are occurring.

I think these facts all point to the fact that we really do need to develop some new policies and new programs to make some changes occur, to force some changes.

Now, I can remember when I first went to Washington, we heard about Federal land use planning and everybody got scared to death that there would be somebody in Washington who would be coming down to every farm and landowner saying, "Here is what you have to do with your land if you have Federal land use planning." And I, like most others, was against that. And I still am. But I think we do need to have programs that encourage the appropriate use of land. I am not saying mandate it, but encourage it. I think Sid Moss pointed out the benefits that occurred with the Soil Bank Program. Now, that wasn't a mandatory program. But it was a voluntary program with enough incentive so that people decided, on the basis of economics, that they would take advantage of those opportunities. I think that is what we need now, a program that will have enough incentive in it so that it will be obvious to landowners that they can do better by using their land in a different way than they have been using it in the past.

COST OF GOVERNMENT PROGRAM

Let me ask you, you mentioned this need of $12 million if you were going to provide the seedlings necessary for reforestation or the planting of these lands. Did you mean that that is what it would cost—the first year $12 million and then a $5 million annual cost if we were to reforest the 2 million acres of land that really ought to be in tree farms?

Mr. Moss. This is based on a 10-year program.

Senator COCHRAN. A 10-year program.

Mr. Moss. A 10-year annual program. The planting of approximately 130,000 to 133,000 acres annually.

Senator COCHRAN. Because you can't do this all at once.

Mr. Moss. No, sir; it would take at least 2 years to bring all of this package together. We will have to make an improvement at our Waynesboro nursery and we would have a total in the new nursery of approximately 186 to 200 acres. We would just have to establish a new nursery, and it would take a year or so to get the new nursery established.

VOICE FROM AUDIENCE. Northern Mississippi.

Mr. Moss. Right, north—that is correct.

Senator COCHRAN. He made that point earlier.

Mr. Moss. The initial cost would be about $12 million, and then the annual cost to operate these would be about $5 million.

Senator COCHRAN. Would this have to be all Government nurseries, or could there be private nurseries, or a combination of both to take care of this?

Mr. Moss. We are utilizing industry nurseries in Mississippi now. Quite a number of seedlings are coming from industry nurseries, being planted on private, or nonindustrial lands. This is just a gap that would have to be shored up there, and some additional seedlings could possibly come from industry or private nurseries. However, I feel the State would have to—we have been looking at this need and can see it coming down the pike—that we need an additional nursery. A feasibility study has been made to locate one in northeast Mississippi. The State is just not in the financial situation to go ahead and develop it.

Senator COCHRAN. The other nurseries that we have, how were they developed and who paid for that?

Mr. Moss. They were developed through resources of the forestry commission. Some of them have been developed for 30 years or longer.

Senator COCHRAN. With appropriations from the State legislature?

Mr. Moss. Right. Yes, sir; well, there was some Federal help there, too.

Senator COCHRAN. Yes; I was going to ask you if we had a Federal program for that. We do have a program for that?

Mr. Moss. Right.

Senator COCHRAN. Well, this is the subcommittee that provides the money for that kind of thing. We will underline this in the record.

Mr. Moss. Sure. That would be great. That would be great.

CURRENT FEDERAL PARTICIPATION

Senator COCHRAN. Well that brings us to another point. We had hearings already in Washington on the Forest Service budget request for the next fiscal year, and I attended those hearings to talk about the traditional confrontation that exists between Government-owned forest lands, and the needs there, and privately owned forest lands and the technical assistance and the research that is so important to the successful management of those resources. The Government tends to let the private landowner just go it alone without much assistance. I wanted to ask: Is the level of Federal financial assistance to the southeast sufficient to permit us to grow and take advantage of the economic opportunities that forestry offers to this part of the country?

Mr. Moss. Well, like many other programs, Mr. Chairman, Mississippi—I am speaking about the forestry commission—we have seen over the past several years our Federal grants being reduced, and it is almost down to about $750,000 from around $1½ to $2 million over the last 3 or 4 years. So the State is having to pick up a larger percentage of our operating costs.

I would like to say that I believe I can speak for all conservation agencies, whether it be Federal, State, county, or local, there is a great amount of cooperation between all conservation agencies in Mississippi. I believe I detect that more harmony exists in our State than some of the surrounding States, in the agencies working together to try to provide technical services to these landowners. We do have the forestry commission, we do have county foresters to provide technical services in most every county, and we do have some provisions for special service-type foresters to write management plans and encourage the production of timber. We are moving in the direction of some economic analysis to provide to these landowners, to let them know what their returns will be. I am pretty sure that some of the other people would bring this out on the services that they provide.

Senator COCHRAN. I think the presentation by this panel has been very helpful to the hearing, to give us an idea of how these different agencies, to use a bureaucratic term, interface, but there is a great deal of overlapping of interest area and a sharing of concerns among the agencies that are represented in this panel, and I just think that the testimony clearly indicates that we can do a better job of developing policies and programs to encourage better use of our resources, our lands, here in Mississippi than has been true in the past. We ought to get to it.

Well, let's take a break now. The hearing will continue after 10 or 15 minutes with a panel that will include forest industry and tree farmers, who will give us some practical insight into the problems that we face here in this area of the country.

PREPARED STATEMENTS

We will insert all of your statements which you have submitted for the record at this point.

We will stand in recess for a period of 15 minutes.

[A brief recess was taken.]

[The statements follow:]

STATEMENT OF JOHN (DON) W. BARRETT

Mr. Chairman, members of the subcommittee, I am pleased to have this opportunity to discuss provisions of the Agricultural Programs Adjustment Act of 1984.

Most of the changes brought about by the act pertaining to the Farmers Home Administration have been implemented. I would like to briefly review the major provisions and then discuss, in greater detail, the status of the timber crop section.

EMERGENCY LOANS

Nationally, 2,092 counties, or over two-thirds of all the counties in the country, have been declared eligible for disaster emergency [EM] loans. A provision in the new law requires that counties adjacent to counties previously designated be made eligible. Under that provision, an additional 508 counties have been designated. In Mississippi, an additional 15 counties were added to the 51 counties previously designated. Currently, 66 of the 72 counties in Mississippi are eligible for disaster emergency loans.

The deadline for receiving applications for EM loans has been extended from 6 to 8 months. For disasters occurring after May 30, 1983, the value of a farmer's assets can be determined using either the day before the Governor requested a disaster designation or 1 year prior to that date, whichever is more beneficial to the borrower.

OPERATING LOANS

Dollar limits on farm operating loans has been increased from $100,000 to $200,000 for insured loans and from $200,000 to $400,000 for guaranteed loans. The maximum period for which OL loans may be consolidated or extended has been increased from 7 to 15 years.

OTHER PROVISIONS

The interest rate on the original operating, emergency, and farm ownership loans which are deferred, consolidated, rescheduled or reamortized are either at the current interest rate or the original interest rate, whichever is more beneficial to the farmer. Twenty percent of operating and farm ownership loans must be to low-income, limited resource borrowers. The act also prohibits for 3 years any USDA officer or employee involved in approving FmHA loans from acquiring property for which loans have been requested.

Title VI, section 608 of the act states: "Notwithstanding any other provision of law, the Secretary of Agriculture may develop and implement a program for the amortization of delinquent Farmers Home Administration loans from future revenues generated by timber crops planted and managed on lands previously used to produce commodities or pasture and subject to Farmers Home Administration liens. The Secretary shall submit a report to Congress by October 1, 1984, outlining the feasibility of such program and the plan for its implementation."

The Department has set up a study group that has begun intensive research to determine the feasibility of a Timber Crop Program, as outlined. The Department is on schedule with these efforts and expects to meet the October deadline for the report to Congress. I believe it best that I defer any further comment on such a program pending completion of that study.

Mr. Chairman, I will be happy to answer questions the committee may have.

STATEMENT OF A.E. "GENE" SULLIVAN

As you are well aware, Mississippi has a serious problem with erosion. The State's soil loss is estimated at over 100 million tons each year. These losses occur on agricultural land, streambanks, urban construction, and other sources. The annual soil loss on cropland places Mississippi within the top 10 States in the Nation. In previous testimony last year, the economic impact was estimated at $1 billion annually.[1] This represents the loss from the value of the topsoil alone. Other losses occur from depreciation of the value of farmland, loss of nutrients, fertilizer, and organic matter. All of these affect agricultural production, farmers, and eventually all Mississippians.

The conservation benefits of proper land use and treatment are well established in Mississippi, from the extensive Tree Planting Program in the Yazoo-Little Tallahatchie flood prevention project to the Soil Bank Program. These benefits include sustained agricultural and forestry production and improved water quality. Unfortunately, we estimate that there are still nearly 500,000 acres of land in Mississippi being cultivated that are too steep for row cropping without causing excessive erosion. This steep marginal land represents about 7 percent of the cultivated cropland in the State, yet it contributes 29 percent of the cultivated cropland erosion.[2]

Other recent studies[3] evaluate the economics of converting marginal cropland to trees. In fact, these studies estimate Mississippi has 3.3 million acres of economically marginal cropland and pasture land. This report identified some 17 million acres across the South and stated, "The potential impact on land requirement to meet future crop and livestock demands are seen as negligible" because these soils are not highly productive for these uses. In summary:

Mississippi has almost 2 million acres of sloping cropland, 75 percent of which is eroding at an average annual soil loss rate which exceeds the level needed to maintain high crop yields.

Many of these acres are better suited to trees in terms of soil and watershed protection, as well as economics.

Trees provide excellent soil and watershed protection with annual soil loss per acre of less than 2 tons and appear to have a significant potential for contributions to the Mississippi economy.

STATEMENT OF ROBERT S. "SID" MOSS

I am Robert S. "Sid" Moss, State forester of Mississippi, Mississippi Forestry Commission, 908 Robert E. Lee Building, Jackson, MS.

First, I would like to express my thanks and appreciation to Senator Cochran and others for allowing me the opportunity to be a part of this hearing. I also appreciate Senator Cochran for his past and continued support of forestry issues that are important to our State and Nation.

When reviewing any of the several agricultural conservation bills being discussed at the national level, which deal with wide ranges of subjects from financial aid to private landowners, reduction of soil erosion, row crop production, wildlife, clean water, and timber growing, it is very imperative that we weigh the positive features and benefits that individuals, States, and the Nation will receive from passage of such productive legislation.

For the following reasons and comments, I am positive about Public Law 98-258, title VI, section 608 of the Agricultural Programs Adjustment Act of 1984.

For well over 100 years (1880's to 1980's) timber has played a key role in the life and times of both urban and rural Mississippi. Over this period of time the forestry picture in Mississippi in terms of economic and environmental impact has been a mixture of promise and prosperity. We have seen our forest lands moving through cycles from virgin forest to heavily cut-over acres, then back into the regenerated forest we now refer to as our major timber land assets.

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[1] U.S. Senate Soil and Water Conservation Subcommittee hearing, Jackson, MS, May 31, 1983.
[2] "A Summary of the Mississippi Non-Federal Land Resources—1982 National Resources Inventory."
[3] USDA, Office of Budget and Program Analysis, "Conversion of Southern Cropland to Southern Pine Tree Plantings: Conversion for Conservation Feasibility Study," December 1983.

Mississippi has about 16.5 million acres of commercial forest land, 54 percent of the total State land area. Over 130,000 private nonindustrial landowners, many being local farmers, own nearly 12 million acres or 72 percent of the commercial forest land. About one-third of the landowners are in a position to implement needed forest and farm land improvements, provided funding aid in some manner is available.

The economic importance of forestry in Mississippi cannot be overstressed.

(1) In 1980 forestry was the No. 1 agriculture crop at the first processing point, valued at $535 million.

(2) In 1983 forestry was the No. 2 agriculture crop at the first processing point, valued at about $500 million.

(3) Forestry is the second largest employer in Mississippi, with one of every five manufacturing jobs provided by forest industry.

(4) For each $1 of timber stumpage sold, 43 cents in State tax revenue is generated.

Our State's commercial forest land continues to decrease by 20,000 acres annually. This loss of acreage is to agriculture, urbanization, and other nonforest use. In addition to our 16.5 million acres of forest land, there are approximately 2 million acres of marginal crop and pasture lands in the 4e, 6e, and 7e soil subclass series that should be planted to pines. These acres are presently providing negative net dollar returns to the landowner or farmer. Soil erosion on these lands exceed the maximum acceptable rate of 3 to 5 tons per acre annually. Pine timber production on these lands would reduce soil erosion and provide net returns to the landowner.

Findings during a recent USDA study—"Conversions of Southern Cropland to Southern Pine Tree Plantings—Conversions for Conservation" indicated that custom and desire for annual cash flows seemed an important factor in keeping marginal lands in crop and pasture use. However, the average annual net earnings per acre from pine plantations are estimated to exceed annual net returns from crop and pasture use on these marginal acres while providing excellent reduction in soil erosion.

For major examples of what conservation programs can do, we need only to recall the dream of a fellow Mississippian and the Civilian Conservation Corps [CCC] activities during the 1930's when our Nation was pulling through the Depression. Thousands upon thousands of acres of public lands were planted with pine trees, unemployment reduced, and many conservation projects completed which are still providing environmental and economic benefits. The CCC tree planting activity not only met short-range objectives, but it has provided long-term benefits to our Nation.

In 1947 the Yazoo-Little Tallahatchie [Y-LT] flood prevention project was initiated in northern Mississippi to help reduce the enormous amounts of soil loss on lands that were eroding at several hundred tons per acre per year. This great tree planting project has reduced soil loss to less than 1 ton per acre per year. Over 1 million acres have been planted to pine trees and recent Forest Service surveys indicate a retention rate of 69 percent.

The very successful Soil Bank Program initiated in 1956, allowed farmers to place agriculture croplands into pine plantation and was responsible for 1,922,604 acres nationwide to be planted. In Mississippi 64,680 acres were planted under the Soil Bank Program. The retention rate is about 80 percent.

Cost to plant agriculture lands is much less than reforestation of cut-over timber lands.

Marginal croplands can grow substantial timber volumes per acre and would help meet the projected requirement for softwood in the future.

Mississippi is the No. 1 tree farm State; however, it ranks No. 3 in soil loss. Planting of marginal croplands to pine trees would allow our State to remain the No. 1 tree farm State while reducing our ranking in soil loss. Tree farming is a real agricultural crop which meets a critical need in our overall agricultural system.

Planting of pine trees on marginal croplands would serve to meet our present short-term objectives and provide for long-term benefits.

STATEMENTS OF:

GEORGE AYERS, DISTRICT FORESTER, MISSISSIPPI FORESTRY COMMISSION

LANNY AUTRY, PRESIDENT, MID-SOUTH FORESTRY, INC.

BERYL G. TOLER, AREA MANAGER, TENNESSEE RIVER PULP AND PAPER CO.

Senator COCHRAN. The subcommittee will come to order.

We now have our last panel of witnesses: Mr. George Ayers, of the Mississippi Forestry Commission; Mr. Lanny Autry, who is president of Mid-South Forestry, Inc.; and Mr. Beryl G. Toler, area manager of the Tennessee River Pulp and Paper Co.

We would like for you to come forward, if you would. This is a panel made up of forest industry and tree farmers, who will provide the committee with insight into the practical aspects of the forest products industry in Mississippi. They are in the forestry business and are able to discuss timber and tree farming with the emphasis on the opportunities, as well as the problems, they see in this program that we are discussing.

I want to welcome you to the hearing and thank you for being here.

First, let's hear from George Ayers and then Mr. Autry and Mr. Toler, then we will have an opportunity for discussion of your testimony.

We appreciate your providing us with these written statements.

You may proceed, Mr. Ayers.

STATEMENT OF GEORGE AYERS

Mr. AYERS. Thank you.

I am George Ayers, a district forester of the Mississippi Forestry Commission, and I represent 12 northeast Mississippi counties. I also am a landowner and own land in Copiah County and Alcorn County, MS. The counties that I represent with the Mississippi Forestry Commission are Alcorn, Benton, Tippah, Tishomingo, Union, Pontotoc, Lee, Itawamba, Prentiss, Chickasaw, Monroe, and Clay Counties.

There are 1,828,000 acres of timberland in these 12 northeast Mississippi counties, and that represents approximately 50 percent of all of the land in these 12 counties. Of this, there are approximately 271,000 acres of hilly marginal pasture and cropland. According to estimates, this marginal cropland is eroding at a loss of 17 tons of soil per acre per year. On some of the land, it is a lot more than this. If this land was planted to loblolly pines, the erosion rate could be less than 2 or 3 tons per acre per year.

A great number of landowners are reluctant to plant this to pine trees because of the time required to grow a stand of timber. If there was some type of financial assistance payable to these landowners on a yearly basis, I feel that most of this marginal land would be planted to pines. The planting of pines would certainly reduce soil erosion to an acceptable level after the third year of tree planting.

The eroding of this marginal land is not only the landowner's problem, but a problem to all people, and the fertility of our soil being lost through erosion is a loss in production of farm goods that affects all consumers.

The loss of topsoil affects timber production. I have heard it said that on a 25-year rotation of pines, the loss of 1 inch of topsoil reduces the production by five cords. All acres of forest do not produce the same timber volume. A lot of people think that if you just plant any trees, it all produces the same amount. Well, this isn't true. Production of timber is in relation to the fertility of the soil on a given acre. An acre of soil that has lost all of its topsoil may only give a financial return of $5 per acre per year. Of course, this is better than losing money. On a better soil, it can earn up to as high as $32 per acre per year. On an average site, we figure that a landowner can reasonably expect to get an annual return of around $25 per acre per year, where they carry this timber to a 30- or 35-year rotation.

The financial return looks good in the future on timber investments. Forestry economists predict that there will be a real growth, up and above inflation, of 3 to 4 percent in timber prices. So we are looking at a real gain of 3 or 4 percent above inflation. In this northeast Mississippi area, we are now cutting as much timber as we are growing. At least, we are of the timber that is available for the industry to buy.

We have an erosion problem on land other than this hill land in northeast Mississippi. There is a problem, in that, small streams cannot carry the runoff of a 3- or 4-inch rain. This happened this past spring. These small streams overflow their banks and the water goes right down through the fields, carrying this bottom land topsoil with it. This area should not be overlooked in addition to the hill marginal erodable land. Some of the bottom land is eroding also.

In your harvest of timber, a landowner must have an economical unit of timber to sell to get a fair market price. One or two acres planted for erosion control would not demand a fair market price. In the planting of pines on marginal land, this factor should be kept in mind.

In the 1950's, we had a Soil Bank Program that was highly successful. This program consisted of annual payments of $10 per acre for 10 years to convert cropland to trees. We, of the Mississippi Forestry Commission, would be in favor of a program that would make annual payments to landowners on this marginal land that has an erosion problem. We feel that the general public must support the landowner in stopping this erosion problem to protect the heritage of our land.

We, of the Mississippi Forestry Commission, feel that we have the personnel to advise the landowners on planting this erodable land to trees.

PREPARED STATEMENT

Senator COCHRAN. Thank you very much, Mr. Ayers. We will insert your statement in the record at this point.

[The statement follows:]

STATEMENT OF GEORGE AYERS

I, George Ayers, district forester of the Mississippi Forestry Commission, represent 12 northeast Mississippi counties. These counties are Alcorn, Benton, Tippah, Tishomingo, Union, Pontotoc, Lee, Itawamba, Prentiss, Chickasaw, Monroe, and Clay Counties.

There are 1,828,000 acres of timber land, which represents approximately 50 percent of all land in these 12 northeast counties. Of this, there are approximately 271,000 acres of hill marginal pasture and cropland. According to estimates, this marginal cropland is eroding at a loss of 17 tons of soil per acre per year. If this land was planted to loblolly pines, the erosion rate could be less than 3 tons per acre per year.

A great number of landowners are reluctant to plant this to pine trees because of the time required to grow a stand of timber. If there was financial assistance payable to these landowners on a yearly basis, I feel most of this marginal land would be planted to pines. The planting of pine trees would certainly reduce soil erosion to an acceptable level after the third year of tree planting.

The eroding of this marginal land is not only the landowner's problem but a problem to all people, and the fertility of our soil being lost through erosion is a loss in production of farm goods that affects all consumers.

The loss of this topsoil affects timber production. I have heard it said that on a 25-year rotation of pines, the loss of 1 inch of topsoil reduces the production by five cords. All acres of forest do not produce the same timber volume. Production of timber is in relation to fertility of soil on a given acre. An acre of soil that has lost all topsoil may only give a financial return of $5 per acre per year. On a better soil it can earn $32 per acre per year. On an average site, a landowner can reasonably expect to get an annual return of $25 per acre per year over a 30- to 45-year rotation.

The financial return looks good in the future for timber investments. Forestry economists predict that there will be a real growth of 3 to 4 percent in timber prices above inflation in the future. In this northeast Mississippi area, we are now cutting as much timber as we are growing; at least we are of the timber that is available for purchase on the market.

We have an erosion problem on lands other than on hill land. There is a problem in that the small streams cannot carry the runoff of a 4- or 5-inch rain. These small streams overflow their banks and water down through the small bottoms carrying bottom land topsoil away. Trees planted in these narrow bottoms would prevent this erosion problem.

In the harvest of timber, a landowner must have an economical unit of timber for sale to get a fair market price. One and two acres planted for erosion control would not demand a fair market price. In the planting of pines on marginal land, this factor should be kept in mind.

In the 1950's, we had a Soil Bank Program that was highly successful. This program consisted of annual payment of $10 per acre for 10 years to convert cropland to trees. We, of the Mississippi Forestry Commission, would be in favor of a program that would make annual payments to landowners on all marginal land that has an erosion problem. We feel the general public must support the landowner in stopping this erosion problem to protect the heritage of our land.

We, of the Mississippi Forestry Commission, feel that we have the personnel to advise the landowners on planting this erodable land to trees.

STATEMENT OF LANNY AUTRY

Senator COCHRAN. Let's now hear from our next witness, Mr. Lanny Autry.

Mr. AUTRY. It is, indeed, a privilege to be invited to participate in this hearing. I participate both as a private landowner and as a private consultant forester who, along with my professional staff, manages over 80,000 acres of timbered lands for nonindustrial private landowners in north Mississippi. Many of these landowners are farmers and, yes, many of them have severe financial difficulties. Those financial problems are so great that some of our farm-oriented clients have been forced to liquidate timber stands which could have most profitably been allowed to grow for several more years.

The need for expedient implementation of the forestry related provisions of the Agricultural Programs Adjustment Act of 1984 is evident simply by recognizing the productivity losses occurring on marginal lands each year. What is less evident, but vitally important, is the fact that implementation of this program could also conceivably allow some farm and forest landowners to delay harvesting of existing timber stands, until those stands are economically mature. The cost of premature liquidation of those timber stands is high indeed.

BENEFITS OF GOVERNMENT PROGRAM

Is such a program really profitable? Well, obviously so. We need only to look at Government-assisted forest stand establishment programs of past years to see the benefits. One of the most successful of those programs was the Yazoo-Little Tallahatchie watershed flood prevention project right here in north Mississippi. The program was neither nationwide nor even regionwide in scope, but the results serve well as a model and as a means of quantifying the benefits of this new program.

An excellent example of the benefits of the Y–LT Program occurs on the lands of one of our clients in Lafayette County, MS. This parcel of upland property contains 383 acres which had been cleared, farmed, eroded, and abandoned. In the late 1950's, this landowner allowed the Yazoo-Little Tallahatchie project to plant loblolly pine seedlings on the entire acreage, including those areas which had active gullies in excess of 20 feet deep. Was it worthwhile? Today the timber stand is approximately 25 years old and has a merchantable timber value in excess of $116,000, or approximately $303 per acre. Through proper management, we project that the timber value will be in excess of $250,000, or $650 an acre, within the next 10 years. That is not bad for a property which only 25 years ago was considered to be worthless.

This is not an isolated example. It is repeated on literally thousands of acres of eroded land across the Y–LT project area. Yet, I must admit that comparisons of the results of the Y–LT project with results we can expect from the program we are discussing today are not totally valid. The difference is that those lands were so severely eroded that much of the acreage had been completely abandoned before pine seedlings were planted. The acres we are talking about today have not been that se-

verely mistreated. Most of the acres still have topsoil. Those acres didn't. Most of these acres can be planted with genetically improved pine seedlings. Those acres weren't. Most of these acres can be actively managed throughout the life of the timber stand by private foresters and through assistance from State forestry agencies. Those acres have generally not been intensively managed.

So, yes, the results of the Y–LT project have been outstanding, and how much greater can be the results of pine plantings on better lands, with better seedlings, and with intensive professional management.

PROBLEMS OF PAST PROGRAMS

The Yazoo-Little Tallahatchie project and the Soil Bank Program have not only yielded encouraging results, but have also identified some problems which we should recognize. Based on the results of these programs, I suggest that the Secretary of Agriculture be aware of the following points, which come as a result of experience with these earlier attempts to put marginal and unneeded cropland into timber production.

First, provision should be made for active management of these newly established timber stands through the rotation period. The results of past programs would have been much greater had that been done. As a private forester, I feel that the best source of forest management assistance for private landowners comes from the private sector, but I also realize that cooperation and assistance from State forestry agencies is essential.

Second, provision should be, and, in fact, must be made to discourage premature liquidation of these timber stands. This is one of the problems we see all too frequently when working with the owners of soil bank and Yazoo-Little Tallahatchie project plantations.

And third, consideration should be given to future development of a similar or parallel program for farmlands not covered by the present act. A program of this type can be most successful when conducted on a rather large scale rather than being conducted on a relatively few scattered acres.

CONCLUSION

In conclusion, recent history has shown that the production of timber crops on lands formerly used for agricultural purposes can pay significant dividends. Our own investment analyses, even when using conservative values, indicate a compound annual, noninflated rate of return of 14 to 22 percent over a 30-year rotation. I challenge you to find other uses for these lands which will yield comparable returns with only minimal risks. I can honestly say that what is good for forestry is good for our Nation, and this program, if properly designed and administered, can be very good for forestry, for individual farmers, for the Farmers Home Administration, and for our Nation. I would encourage you that we need not delay. Foreclosures don't help anyone.

Thank you.

PREPARED STATEMENT

Senator COCHRAN. Thank you very much, Mr. Autry. Your submitted statement will be placed in the record.

[The statement follows:]

STATEMENT OF LANNY AUTRY

IT IS INDEED A PRIVILEDGE TO BE INVITED TO PARTICIPATE IN THIS HEARING. I PARTICIPATE BOTH AS A PRIVATE LANDOWNER AND AS A PRIVATE CONSULTING FORESTER WHO, ALONG WITH MY PROFESSIONAL STAFF, MANAGES OVER 80,000 ACRES OF TIMBERED LANDS FOR NON-INDUSTRIAL PRIVATE LANDOWNERS IN NORTH MISSISSIPPI. MANY OF THESE LANDOWNERS ARE FARMERS AND, YES, MANY OF THEM HAVE SEVERE FINANCIAL DIFFICULTIES. THOSE FINANCIAL PROBLEMS ARE SO GREAT THAT SOME OF OUR FARM ORIENTED CLIENTS HAVE BEEN FORCED TO LIQUIDATE TIMBER STANDS WHICH COULD HAVE MOST PROFITABLY BEEN ALLOWED TO GROW FOR SEVERAL MORE YEARS.

THE NEED FOR EXPEDIENT IMPLEMENTATION OF THE FORESTRY RELATED PROVISIONS OF THE AGRICULTURAL PROGRAMS ADJUSTMENT ACT OF 1984 IS EVIDENT SIMPLY BY RECOGNIZING THE PRODUCTIVITY LOSSES OCCURRING ON MARGINAL AGRICULTURAL LANDS EACH YEAR. WHAT IS LESS EVIDENT BUT VITALLY IMPORTANT IS THE FACT THAT IMPLEMENTATION OF THIS PROGRAM COULD ALSO CONCEIVABLY ALLOW SOME FARM AND FOREST LAND OWNERS TO DELAY HARVESTING OF EXISTING TIMBER STANDS UNTIL THOSE STANDS ARE ECONOMICALLY MATURE. THE COSTS OF PREMATURE LIQUIDATION OF THOSE TIMBER STANDS IS HIGH INDEED.

IS SUCH A PROGRAM REALLY PROFITABLE? OBVIOUSLY SO! WE NEED ONLY LOOK AT GOVERNMENT ASSISTED FOREST STAND ESTABLISHMENT PROGRAMS OF PAST YEARS TO SEE THE BENEFITS. ONE OF THE MOST SUCCESSFUL OF THOSE PROGRAMS WAS THE YAZOO-LITTLE TALLAHATCHIE WATERSHED FLOOD PREVENTION PROJECT RIGHT HERE IN NORTH MISSISSIPPI. THE PROGRAM WAS NEITHER NATIONWIDE NOR EVEN REGIONWIDE IN SCOPE BUT THE RESULTS SERVE WELL AS A MODEL AND AS A MEANS OF QUANTIFYING THE BENEFITS OF THIS NEW PROGRAM.

AN EXCELLENT EXAMPLE OF THE BENEFITS OF THE YAZOO-LITTLE TALLAHATCHIE PROGRAM OCCURS ON THE LANDS OF ONE OF OUR CLIENTS IN LAFAYETTE COUNTY, MISSISSIPPI. THIS PARCEL OF UPLAND PROPERTY CONTAINS 383 ACRES WHICH HAD BEEN CLEARED, FARMED, ERODED, AND ABANDONED. IN THE LATE 1950'S THIS LANDOWNER ALLOWED THE YAZOO-LITTLE TALLAHATCHIE PROJECT TO PLANT LOBLOLLY PINE SEEDLINGS ON

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THE ENTIRE ACREAGE, INCLUDING THOSE AREAS WHICH HAD ACTIVE GULLIES IN EXCESS OF 20 FEET DEEP. WAS IT WORTHWHILE? YES. TODAY THAT TIMBER STAND IS APPROXIMATELY 25 YEARS OLD AND HAS A MERCHANTABLE TIMBER VALUE IN EXCESS OF $116,000, OR APPROXIMATELY $303 PER ACRE. THROUGH PROPER MANAGEMENT WE PROJECT THAT THE TIMBER VALUE WILL BE IN EXCESS OF $250,000, OR $650 PER ACRE, WITHIN THE NEXT TEN YEARS. THAT'S NOT BAD FOR A PROPERTY WHICH ONLY 25 YEARS AGO WAS CONSIDERED TO BE COMPLETELY WORTHLESS.

THIS IS NOT AN ISOLATED EXAMPLE. IT IS REPEATED ON LITERALLY THOUSANDS OF ACRES OF ERODED LAND ACROSS THE YAZOO-LITTLE TALLAHATCHIE PROJECT AREA. YET I MUST ADMIT THAT COMPARISONS OF THE RESULTS OF THE YAZOO-LITTLE TALLAHATCHIE PROJECT WITH RESULTS WE CAN EXPECT FROM THE PROGRAM WE ARE DISCUSSING TODAY ARE NOT TOTALLY VALID. THE DIFFERENCE IS THAT THOSE LANDS WERE SO SEVERELY ERODED THAT MUCH OF THE ACREAGE HAD BEEN COMPLETELY ABANDONED BEFORE PINE SEEDLINGS WERE PLANTED. THE ACRES WE ARE TALKING ABOUT TODAY HAVE NOT BEEN THAT SEVERELY MISTREATED. MOST OF THE ACRES STILL HAVE SOME TOPSOIL. THOSE ACRES DIDN'T. MOST OF THESE ACRES CAN BE PLANTED WITH GENETICALLY IMPROVED PINE SEEDLINGS. THOSE ACRES WEREN'T. MOST OF THESE ACRES CAN BE ACTIVELY MANAGED THROUGHOUT THE LIFE OF THE TIMBER STAND BY PRIVATE FORESTERS AND THROUGH ASSISTANCE FROM STATE FORESTRY AGENECIES. THOSE ACRES HAVE GENERALLY NOT BEEN INTENSIVELY MANAGED.

SO, THE RESULTS OF THE YAZOO-LITTLE TALLAHATCHIE PROJECT HAVE BEEN OUTSTANDING. HOW MUCH GREATER CAN BE THE RESULTS OF PINE PLANTINGS ON BETTER LANDS, WITH BETTER SEEDLINGS, AND WITH INTENSIVE PROFESSIONAL MANAGEMENT.

THE YAZOO-LITTLE TALLAHATCHIE PROJECT AND THE SOIL BANK PROJECT HAVE NOT ONLY YIELDED ENCOURAGING RESULTS. THEY HAVE ALSO IDENTIFIED SOME PROBLEMS WHICH WE SHOULD RECOGNIZE. BASED ON THE RESULTS OF THESE PROGRAMS, I SUGGEST THAT THE SECRETARY OF AGRICULTURE BE AWARE OF THE FOLLOWING POINTS WHICH COME AS A RESULT OF EXPERIENCE WITH THESE EARLIER ATTEMPTS TO PUT MARGINAL AND UNNEEDED CROPLANDS INTO TIMBER PRODUCTION:

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1) PROVISION SHOULD BE MADE FOR ACTIVE MANAGEMENT OF THESE NEWLY ESTABLISHED TIMBER STANDS THROUGHOUT THE ROTATION PERIOD. THE RESULTS OF PAST PROGRAMS WOULD HAVE BEEN MUCH GREATER HAD THAT BEEN DONE. AS A PRIVATE FORESTER, I FEEL THAT THE BEST SOURCE OF FOREST MANAGEMENT ASSISTANCE FOR PRIVATE LANDOWNERS COMES FROM THE PRIVATE SECTOR BUT I ALSO REALIZE THAT COOPERATION AND ASSISTANCE FROM STATE FORESTRY AGENCIES IS ESSENTIAL.

2) PROVISION SHOULD BE MADE TO DISCOURAGE PREMATURE LIQUIDATION OF THESE TIMBER STANDS. THIS IS ONE PROBLEM WE SEE ALL TOO FREQUENTLY WHEN WORKING WITH THE OWNERS OF SOIL BANK AND YAZOO-LITTLE TALLAHATCHIE PROJECT PLANTATIONS.

3) CONSIDERATION SHOULD BE GIVEN TO FUTURE DEVELOPMENT OF A SIMILAR OR PARALLEL PROGRAM FOR FARMLANDS NOT COVERED BY THE PRESENT ACT. A PROGRAM OF THIS TYPE CAN BE MOST SUCCESSFUL WHEN CONDUCTED ON A RATHER LARGE SCALE RATHER THAN BEING CONDUCTED ONLY ON A RELATIVELY FEW SCATTERED ACRES.

IN CONCLUSION, RECENT HISTORY HAS SHOWN THAT THE PRODUCTION OF TIMBER CROPS ON LANDS FORMERLY USED FOR AGRICULTURAL PURPOSES CAN PAY SIGNIFICANT DIVIDENDS. OUR OWN INVESTMENT ANALYSES, EVEN WHEN USING CONSERVATIVE VALUES, INDICATE A COMPOUND ANNUAL, NONINFLATED RATE OF RETURN OF 14-22% OVER A 30-YEAR ROTATION. I CHALLENGE YOU TO FIND OTHER USES FOR THESE LANDS WHICH WILL YIELD COMPARABLE RETURNS WITH ONLY MINIMAL RISKS. I CAN HONESTLY SAY THAT WHAT IS GOOD FOR FORESTRY IS GOOD FOR OUR NATION. THIS PROGRAM, IF PROPERLY DESIGNED AND ADMINISTERED, CAN BE VERY GOOD FOR FORESTRY, FOR INDIVIDUAL FARMERS, FOR FARMERS HOME ADMINISTRATION, AND FOR OUR NATION. LET US NOT DELAY. FORECLOSURES DON'T HELP ANYONE.

THANK YOU.

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STATEMENT OF BERYL TOLER

Senator COCHRAN. Mr. Toler, you may proceed.

Mr. TOLER. Senator Cochran and Secretary MacCleery, and panel members, ladies and gentlemen. I am Beryl G. Toler, graduate forester from Auburn University and have worked in the forest industry sector since 1948. Tupelo has been my residence since 1960, at which time I joined Tennessee River Pulp and Paper Co. I am currently serving as an area manager with land management and wood procurement, both pulpwood and sawtimber responsibilities, in 11 northeast Mississippi counties. In addition, I have the pleasure and privilege of serving as the chairman of the Lee County Election Commission, and more specifically, representing the first district.

During my testimony, I will ask you to allow me to juggle the wearing of two caps of acquired knowledge, one as an industrial manager and the second as a certified tree farmer who owns a few acres of the marginal farmland that we are discussing today.

FUTURE MARKET OPPORTUNITIES

Mr. Autry and Mr. Ayers have very adequately covered in their testimony the need for conversion of marginal cropland and the implications if we don't convert. Also discussed has been the economic justification on a tract-by-tract example that it can be feasible to convert these marginal lands. I would like to carry this to the final stage, and that is the future market, and whether that future market can absorb all of the growth that will come in the next 20 to 30 years from a program such as this. In order to do this, let's look back in the past 25 years and see if that view will allow us to better predict what the future 25 years will bring us as far as markets are concerned.

When I moved to Tupelo in 1960 to begin to develop a wood procurement organization to help supply wood to our Counce, TN, mill, there was not a single paper mill that purchased pulpwood on a year-round basis in this area. The nearest mills were several hundred miles away and they only purchased wood in this area when their local markets were inadequate due to wet weather. In less than 25 years, we have seen an amazing turnaround in the demand for raw materials in this area. Champion constructed a particleboard mill at Oxford. Westvaco constructed a paper mill at Wickliffe, KY, to use this area. International Paper Co. built a paper mill at Vicksburg that uses this general area. Champion again at Courtland, AL, constructed a new paper mill to use material from this area. And Weyerhaeuser built a paper mill at Columbus. In addition to the paper mill, a number of sawmills were built and enlarged. Weyerhaeuser constructed a chip-and-saw at Bruce, and our company constructed one at Ackerman. The list goes on and on of the industries that came into this area as a result of the existing timber supply. During this same period of time, nearly all of these mills that I have mentioned to you have doubled their production. The demand for pulpwood and logs has been very good, and with few exceptions, has been steady throughout the years. Some of these mills, as well

as ours, base their location to some degree on existing plantations in the area. One of the areas that had a predominate influence on at least one mill or more were the plantations that were established by the U.S. Forest Service on the Yazoo-Little Tallahatchie watershed, which was land that was highly erodable. This was planted by the Forest Service. New companies to this area are taking a look, and not only taking a look, but starting new plants that will draw raw material from this area. Namely, the Louisiana-Pacific group and the Georgia-Pacific group, both of which announced and are constructing wood-using facilities in the Grenada area. All of north Mississippi is within their procurement range.

In addition to the mills that I have mentioned, expansion possibilities of unforeseen magnitude are on the horizon with the Tennessee-Tombigbee waterway and the pending establishment of export shipping facilities. In short, what you might say is that, where you have established long, large volumes of timber in the 10- to 15-year-old range, you see industry starting to look for plant locations. This, in essence, is what you would have with a program of converting these marginal lands to timberlands. I think some of the first returns would start coming in as early as 12 to 15 years from the time of planting.

In my opinion, there is a definite need for additional land to be planted. Many of the reports that you and I read concerning the current growth and availability of timber are entirely misleading through no fault of the writers, but there are a number of acres of timber that are simply not available for cutting. This reduces the amount that seemingly is there to be cut. Everything that I have heard or read about indicates there is going to be a tremendous demand for timber products in the next 20 to 30 years. The demand will exceed the growth at current levels by 6 billion cubic feet per year by the year 2000. That is only 16 years from now. Now, many of the areas of this country which support timber growth are not blessed with the weather and the rainfall that we have that enables us to grow timber faster than other places. This, in itself, will cause more industry people to come in here throughout the South to establish their manufacturing facilities.

GOVERNMENT ASSISTANCE

I strongly support your efforts in behalf of finding a suitable method for saving farmers from defaulting on loans, and I applaud the manner in which you have recommended a conversion to planting trees. I think it is absolutely necessary to have some form of annualized payment over a period of the rotation of the crop. In addition to annualized payments, I make a very strong plea that once this program is enacted, there must be other areas of marginal land and highly erodable land that should be considered in this program in addition to the lands that are on farms that are in danger of being lost due to default in loans.

As a certified tree farmer, I have recently planted some 45 acres of a worn-out hill farm where you could literally lose yourself in the gullies. A program such as has been proposed would have prevented many tons

of sediment runoff had this been enacted years ago. One of the problems that I encountered as a small landowner with limited funds or means is the difficulty of meeting the cost-share requirements on planting and site preparation work. A number of years ago, the range on cost sharing with Government assistance was 65 percent higher than last year, I believe it was dropped to 50 percent. I would dare say that the majority of people cannot afford this type of cost-share percentage. They are entirely too low and they discourage the planting of trees and encourage the leaving of the land as it is to grow up into cull hardwoods, which does not serve any economic purpose at this time.

The rate, at 50, is low. But this percentage, in my opinion, should be in the 75- to 85-percent range for the planting and site prep work. I feel that with the multitude of Government programs available, there is a need for annual economic reviews and based on these reviews, I believe that the Department of Agriculture should fund this conversion process from within the existing appropriations.

Many of us here today have experienced serious economic downturns in the last 2 years that we never thought we would see in this country. It has been devastating to all sectors—business and farming. Granted, some of the problems with the farm loans as well as our other loans are due to poor management, but by far, it is people like you and I and many others who have just been at the wrong place at the wrong time and had the ground cut out from under us. Our farmers are there at this time. We simply cannot allow the cry of help from the farm section of our country to go unheeded and unanswered. I strongly urge that we support them as they have supported us throughout the years. This is an investment to prevent a default, which would cost the Government many more dollars than this program costs, and it is certainly cheaper than some of the previous programs that have been enacted.

Again, I thank you, Senator, for the opportunity to testify on this program.

PREPARED STATEMENT

Senator COCHRAN. Thank you very much, Mr. Toler, for your excellent statement. At this point in the record we will insert your submitted statement.

[The statement follows:]

Statement of Beryl G. Toler

I AM BERYL G. TOLER, GRADUATE FORESTER, AUBURN UNIVERSITY AND HAVE WORKED IN THE FOREST INDUSTRY SECTOR SINCE 1948. TUPELO HAS BEEN MY RESIDENCE SINCE 1960 AT WHICH TIME I JOINED TENNESSEE RIVER PULP & PAPER CO. I AM CURRENTLY SERVING AS AN AREA MANAGER WITH LAND MANAGEMENT AND WOOD PROCUREMENT, BOTH PULPWOOD AND SAWTIMBER, RESPONSIBILITIES IN ELEVEN NORTHEAST MISSISSIPPI COUNTIES. IN ADDITION, I HAVE THE PLEASURE AND THE PRIVILEGE OF SERVING AS CHAIRMAN OF THE LEE COUNTY ELECTION COMMISSION AND MORE SPECIFICALLY REPRESENT THE FIRST DISTRICT.

DURING MY TESTIMONY, I ASK THAT YOU ALLOW ME TO JUGGLE THE WEARING OF TWO CAPS OF ACQUIRED KNOWLEDGE--ONE AS AN INDUSTRIAL MANAGER AND SECOND AS A CERTIFIED TREE FARMER WHO OWNS A FEW ACRES OF THE MARGINAL FARM LAND THAT WE ARE DISCUSSING TODAY.

MR. AUTRY AND MR. AYERS HAVE VERY ADEQUATELY COVERED IN THEIR TESTIMONY THE NEED FOR CONVERSION OF MARGINAL CROPLAND AND THE IMPLICATIONS IF WE DON'T CONVERT. ALSO DISCUSSED HAS BEEN THE ECONOMIC JUSTIFICATION ON A TRACT BY TRACT EXAMPLE THAT IT CAN BE FEASIBLE TO CONVERT THESE MARGINAL ACRES. I WOULD LIKE TO CARRY THIS TO THE FINAL STAGE AND THAT IS THE FUTURE MARKETS AND CAN THAT FUTURE MARKET ABSORB ALL OF THE GROWTH THAT WILL COME IN THE NEXT 20 TO 30 YEARS FROM A PROGRAM SUCH AS THIS. IN ORDER TO DO THIS, LET'S LOOK BACK IN THE PAST 25 YEARS AND SEE IF THAT VIEW WILL ALLOW US TO BETTER PREDICT WHAT THE FUTURE 25 YEARS WILL BRING US AS FAR AS MARKETS.

WHEN I MOVED TO TUPELO IN 1960 TO BEGIN TO DEVELOP A WOOD PROCUREMENT ORGANIZATION TO HELP SUPPLY WOOD TO OUR COUNCE, TENNESSEE MILL, THERE WAS NOT A SINGLE PAPER MILL THAT PURCHASED PULPWOOD ON A

YEAR-ROUND BASIS IN THIS AREA. THE NEAREST MILLS WERE SEVERAL HUNDRED MILES AWAY AND THEY ONLY PURCHASED WOOD IN THIS AREA WHEN THEIR LOCAL MARKETS WERE INADEQUATE DUE TO WET WEATHER. IN LESS THAN THE 25 YEARS, WE HAVE SEEN AN AMAZING TURNAROUND IN THE DEMAND FOR RAW MATERIALS IN THE AREA. CHAMPION CONSTRUCTED A PARTICLEBOARD MILL AT OXFORD, WESTVACO CONSTRUCTED A PAPER MILL AT WICKLIFFE, KENTUCKY TO USE THIS AREA. INTERNATIONAL PAPER COMPANY BUILT A PAPER MILL AT VICKSBURG THAT USE THIS AREA. CHAMPION AGAIN AT COURTLAND CONSTRUCTED A NEW MILL THAT USED THIS AREA FOR RAW MATERIAL. WEYERHAEUSER BUILT A PAPER MILL AT COLUMBUS. IN ADDITION TO THE PAPER MILLS, A NUMBER OF SAWMILLS WERE BUILT AND ENLARGED. WEYERHAEUSER CONSTRUCTED A CHIP-AND-SAW AT BRUCE. OUR COMPANY CONSTRUCTED ONE AT ACKERMAN. THE LIST GOES ON AND ON OF THE INDUSTRIES THAT CAME INTO THIS AREA AS A RESULT OF THE EXISTING TIMBER SUPPLY. DURING THAT SAME PERIOD OF TIME, NEARLY ALL OF THESE MILLS THAT I HAVE MENTIONED TO YOU HAVE DOUBLED THEIR PRODUCTION. THE DEMAND FOR PULPWOOD AND LOGS HAS BEEN VERY GOOD AND WITH FEW EXCEPTIONS HAS BEEN VERY STEADY THROUGHOUT THE YEARS. SOME OF THESE MILLS, AND OURS AS WELL, BASE THEIR LOCATION TO SOME DEGREE ON EXISTING PLANTATIONS IN THIS AREA. ONE OF THE AREAS THAT HAD A PREDOMINATE INFLUENCE ON AT LEAST ONE MILL WERE THE PLANTATIONS THAT WERE ESTABLISHED BY THE U.S. FOREST SERVICE ON THE YAZOO LITTLE TALLAHATCHIE WATER SHED WHICH WAS LAND THAT WAS HIGHLY ERODIBLE AND WAS PLANTED BY THE FOREST SERVICE. NEW COMPANIES TO THIS AREA ARE TAKING A LOOK AND NOT ONLY TAKING A LOOK BUT STARTING NEW PLANTS THAT WILL DRAW RAW MATERIALS FROM THIS AREA. NAMELY, THE LOUISIANA-PACIFIC GROUP AND THE GEORGIA-PACIFIC GROUP, BOTH OF WHICH ANNOUNCED AND ARE

CONSTRUCTING WOOD USING FACILITIES IN THE GRENADA AREA. ALL OF NORTH MISSISSIPPI IS WITHIN THEIR PROCUREMENT RANGE.

IN ADDITION TO THE MILLS THAT I HAVE MENTIONED AND THE EXPANSIONS, POSSIBILITIES OF UNFORESEEN MAGNITUDE ARE ON THE HORIZON OF THE TENNESSEE-TOMBIGBEE WATERWAY WITH THE PENDING ESTABLISHMENT OF EXPORT SHIPPING FACILITIES. IN SHORT, WHAT YOU MIGHT SAY IS THAT WHERE YOU HAVE ESTABLISHED LARGE VOLUMES OF TIMBER IN THE 10 TO 15 YEAR OLD RANGE, YOU SEE INDUSTRY START TO LOOKING FOR PLANT LOCATIONS. THIS, IN ESSENCE, IS WHAT YOU WOULD HAVE WITH A PROGRAM OF CONVERTING THESE MARGINAL LANDS TO TIMBERLANDS. SOME OF THE FIRST RETURNS SHOULD START COMING IN FROM, I WOULD SAY, 12 TO 15 YEARS FROM THE TIME OF PLANTING.

IN MY OPINION, THERE IS A DEFINITE NEED FOR ADDITIONAL LAND TO BE PLANTED. MANY OF THE REPORTS THAT YOU AND I READ SHOWING THE CURRENT GROWTH AND THE AVAILABILITY OF TIMBER ARE ENTIRELY MISLEADING THOUGH NO FAULT OF THE WRITERS BUT THERE ARE A NUMBER OF ACRES OF TIMBER THAT ARE NOT AVAILABLE FOR CUTTING. THAT REDUCES THE AMOUNT THAT SEEMINGLY IS THERE TO BE CUT. EVERYTHING THAT I HAVE HEARD OR READ ABOUT INDICATES THERE IS GOING TO BE A TREMENDOUS DEMAND FOR TIMBER PRODUCTS IN THE NEXT 20 TO 30 YEARS. THE DEMAND WILL EXCEED THE GROWTH AT CURRENT LEVELS BY 6 BILLION CUBIC FEET PER YEAR BY THE YEAR 2000--THAT'S ONLY 16 YEARS FROM NOW. MANY OF THE AREAS OF THIS COUNTRY WHICH SUPPORT TIMBER GROWTH ARE NOT BLESSED WITH THE WEATHER AND THE RAINFALL THAT WE HAVE THAT ENABLES US TO GROW TIMBER FASTER THAN OTHER PLACES. THIS IN ITSELF WILL CAUSE MORE INDUSTRY PEOPLE TO COME IN HERE THROUGHOUT THE SOUTH TO ESTABLISH THEIR MANUFACTURING FACILITIES. I STRONGLY SUPPORT SENATOR COCHRAN'S EFFORTS IN BEHALF OF FINDING A SUITABLE METHOD FOR SAVING FARMERS FROM DEFAULTING ON LOANS AND I APPLAUD

THE MANNER IN WHICH HE HAS RECOMMENDED A CONVERSION TO PLANTING TREES. I THINK IT IS ABSOLUTELY NECESSARY TO HAVE SOME FORM OF ANNUALIZED PAYMENT OVER A PERIOD OF THE ROTATION OF THE CROP.

IN ADDITION TO ANNUALIZED PAYMENTS I MAKE A VERY STRONG PLEA THAT ONCE THIS PROGRAM IS ENACTED THERE MUST BE OTHER AREAS OF MARGINAL LAND AND HIGHLY ERODIBLE AREA LAND THAT SHOULD BE CONSIDERED IN THIS PROGRAM IN ADDITION TO LANDS THAT ARE ON FARMS THAT ARE IN DANGER OF BEING LOST DUE TO DEFAULT IN LOANS.

AS A CERTIFIED TREE FARMER, I HAVE RECENTLY PLANTED SOME 45 ACRES OF A WORN OUT HILL FARM THAT YOU COULD LITERALLY LOSE YOURSELF IN THE GULLIES. A PROGRAM SUCH AS HAS BEEN PROPOSED HERE WOULD HAVE PREVENTED MANY TONS OF SEDIMENT RUNOFF HAD THIS BEEN ENACTED YEARS AGO. ONE OF THE PROBLEMS THAT I ENCOUNTERED AS A SMALL LANDOWNER WITH LIMITED MEANS IS THE DIFFICULTY OF MEETING THE COST SHARE REQUIREMENTS ON PLANTING AND SITE PREPARATION WORK. A NUMBER OF YEARS AGO, THE RANGE ON COST SHARING WITH THE GOVERNMENT ASSISTANCE WAS 65% AND HIGHER AND THEN LAST YEAR IT WAS DROPPED TO 50%. I WOULD DARE SAY THAT THE MAJORITY OF PEOPLE CANNOT AFFORD THESE TYPE COST SHARE PERCENTAGES. THEY ARE ENTIRELY TOO LOW AND THEY DISCOURAGE THE PLANTING OF TREES AND ENCOURAGE THE LEAVING OF THE LAND AS IT IS TO GROW UP INTO CULL HARDWOODS WHICH DOES NOT SERVE ANY ECONOMIC PURPOSE AT THIS TIME.

THE COST SHARING OF PLANTING OF TREES IS ENTIRELY TOO LOW AT ITS CURRENT RATE OF 50%. THIS PERCENTAGE, IN MY OPINION, SHOULD BE IN THE 75% TO 85% RANGE FOR THE PLANTING AND THE SITE PREPARATION WORK. I FEEL THAT WITH THE MULTITUDE OF GOVERNMENT PROGRAMS AVAILABLE, THERE IS A NEED FOR ANNUAL ECONOMIC REVIEWS. BASED ON THESE REVIEWS, I BELIEVE

THE DEPARTMENT OF AGRICULTURE SHOULD FUND THIS CONVERSION PROCESS FROM WITHIN THE EXISTING APPROPRIATIONS.

MANY OF US HERE TODAY HAVE EXPERIENCED SERIOUS ECONOMIC DOWNTURNS IN THE LAST TWO YEARS THAT WE NEVER THOUGHT WE WOULD SEE IN THIS COUNTRY. IT HAS BEEN DEVASTATING TO ALL SECTORS - BUSINESS AND FARMING. GRANTED SOME OF THE PROBLEMS WITH FARM LOANS AS WELL AS OTHER LOANS ARE DUE TO POOR MANAGEMENT BUT BY FAR IT IS PEOPLE LIKE YOU AND I AND MANY OTHERS WHO HAVE JUST BEEN AT THE WRONG PLACE AT THE WRONG TIME AND HAVE HAD THE GROUND CUT OUT FROM UNDER US. OUR FARMERS ARE THERE AT THIS TIME. WE CANNOT ALLOW THE CRY OF HELP FROM THE FARM SECTION OF OUR COUNTRY TO GO UNHEEDED AND UNANSWERED AND I STRONGLY URGE THAT WE SUPPORT THEM AS THEY HAVE SUPPORTED US THROUGHOUT THE YEARS. THIS IS AN INVESTMENT TO PREVENT A DEFAULT WHICH WILL COST THE GOVERNMENT MANY MORE DOLLARS THAN THIS PROGRAM WILL COST AND IT IS CERTAINLY CHEAPER THAN SOME OF THE PREVIOUS PROGRAMS THAT HAVE BEEN ENACTED.

AGAIN I THANK YOU SENATOR FOR THE OPPORTUNITY TO TESTIFY ON THIS PROGRAM.

Senator COCHRAN. I think this panel has really presented three outstanding statements, very helpful to the Department of Agriculture, as it completes its study in response to the legislative directives of Public Law 98–258.

One common theme runs throughout the statements and that is that we need a new program, that existing programs may not be enough to get us where we need to be in terms of the replanting of land, the conversion of marginal land to timberland. One suggestion was made that we go back to the 1950's type of Soil Bank Program because there is no way now to provide an annual financial incentive or benefit in exchange for a farmer converting.

What would, in the judgment of the panel, be an appropriate level of payment per acre for the conversion of cropland? The Soil Bank Program in the 1950's was $10 per acre. What is your idea, Mr. Ayers, about that now?

Mr. AYERS. Well, just keeping up with the rate of inflation at $10 back then, I think it would be anywhere from $30 to $40 per acre now. Last year in these 12 counties in northeast Mississippi, we only planted on private landowners' property approximately 12,000 acres of trees. Most of this was probably on cut-over land or land that was poorly stocked in cull hardwood. This 12,000 acres sounds like a lot, but compared to the need that we have, this is actually very small.

Senator COCHRAN. Of those acres that were planted, what economic incentives were there to help in the decision of the landowners to plant those acres to trees?

Mr. AYERS. We had three programs that we assisted private landowners with this past year. We had the State program, or the FRDP Program, we had the Federal program, FIP, and we also had——

Senator COCHRAN. That is the Forestry Incentives Program.

Mr. AYERS. Right. And we also had some Appalachian Regional Commission money this past year that we planted some trees with. So all three programs together, and we might say that we just about utilized all of the funds that were available, amounted to about 12,000 acres, on private lands. This doesn't include what industry did.

Senator COCHRAN. Are you saying that in almost every case, then, the plantings that were made, were made in connection with some type Government program, which provided some financial benefit?

Mr. AYERS. Ninety-nine percent of them, I would say.

Senator COCHRAN. Is that your experience over the time you have been active in forestry? Do people wait for the availability of Government assistance in planting trees, or what percentage do you think go ahead and do it on their own?

Mr. AYERS. I don't know what percentage it is, but the percent that would do it on their own would be small, because I can remember back before we had the State FRDP Program and the Federal FIP Program when the amount of tree planting was down considerably compared to what it is today. Most of the landowners are going to have to have some type of assistance.

Senator COCHRAN. Is your attitude, Mr. Autry, about the same on that?

Mr. AUTRY. In general, it is. We have some clients who look at forestry as a strict investment. It is not a family farm, it is not a substantial part of their immediate income picture. They look at it strictly as a long-term investment, and as such, would take a different approach. They would plant trees regardless. But as Mr. Ayers said, those people, those landowners are in the minority. A substantial number of the landowners with whom we work would not plant without cost-sharing funds. Some do not plant at 50 percent cost-sharing money, simply because, Senator, we are talking about that landowner having to spend in the neighborhood, depending on the property itself, between $100 and $150 an acre, frontend, without Government cost-sharing programs, and then telling him that he cannot expect any return from that investment for at least 15 years, for the average landowner. We go back to this thing of having to wait so long for the money. For the average lands that I think we are talking about here today, those landowners just aren't in a position to spend $125 an acre and say, "I will start getting it back 15 years from now."

Senator COCHRAN. Yes; but your statement is an excellent recitation of the factual situation and the benefits that would be gained, economic benefits, environmental benefits, benefits from a soil conservation standpoint for converting a lot of the marginal land to forest. Now, how do we get there from here, is the question that I am asking.

Mr. AUTRY. I think the only way that we will get there is again by looking at history and seeing how we got there before. We got there before through the Soil Bank Program, through the Yazoo-Little Tallahatchie Watershed Program, by—basically by 100-percent financing or assistance from Government programs. But we cannot—I don't think we can expect landowners to voluntarily convert property to sustain timber production if they cannot expect some return or some benefits from it in the short term. These abandoned lands that the Y-LT Program was so good for and under which so many acres were converted, those lands, a lot of them had gotten to the point to where the farmer could not expect any annual income. Those were lost lands, so the incentive there was, "Look, the Government will help you. We will do this for you." What we need to do now, is on these marginal lands, we need to get this conversion going before they get to the point of having to be abandoned. And the only way we are going to do that is if that farmer feels like he is breaking even or making a little bit of money now, trying to row crop those lands. The only way we are going to get him to plant pine trees on it is to show him where he is going to do even better by doing so. But the last thing we want is for those lands to get in the shape that the Y-LT lands were in.

RETURN-PER-ACRE ON TREE-PLANTED LAND

Senator COCHRAN. That affects the profitability. Mr. Ayers pointed out that some land, if it doesn't have topsoil on it, is not going to have a return of but $5 per acre, but on better land, it could be up as high as $30 per acre.

Mr. AUTRY. Some of our investment analyses would indicate actually substantially greater return, if the land has not been too severely treated in past years. We have done some analyses recently that would indicate some long-term returns in the neighborhood of $45 to $60 per acre per year on good property.

Senator COCHRAN. What about the cost per acre for an Incentive Program? If we went back to a Soil Bank Program, is your idea about the same as Mr. Ayers? Would it cost $30 to $40 per acre?

Mr. AUTRY. On the average. Without making it overly complex, it would seem that most appropriately, that payment would be tied in some way with the productivity level of the property, because there is some $10 per acre per year return land out there and there is some $60 per acre per year land. But on the average, yes, I think we would be talking $35, $40 per acre per year and I think the Government, and Farmers Home in this instance, would be getting a bargain from that.

Senator COCHRAN. Well, that is what I am wondering, and this is something that is going to be important for this study to analyze, and that is the economic impact on the Government of a program like this. If they are up against the problem of billions of dollars of uncollectable debt out there, it would seem to me that that is going to be part of the consideration of whether or not this is a feasible program. We don't want to send, as they say, good money after bad, I guess, but we don't want to continue to make the incentive row cropping, which is losing money. That is the part that I think we need to look at, too.

DIRECT PAYMENT OR TAX INCENTIVES

Mr. Toler, what is your notion about the kind of program we need? Would it be a direct payment to the landowner to convert? Is that the way to do it, or are there tax advantages or any other way that would be available to the Government to help encourage the conversion of the land?

Mr. TOLER. Senator Cochran, I think perhaps that it would take a combination of probably both. I see the tax situation as good. I find no fault in that. The problem is, a number of people are not using it, and it is very hard to understand, but they are still not using it. I guess some of them do their own taxes, and they just don't read these things. It is unfortunate. I definitely agree with the other panel members on the general range on these annualized payments.

Another aspect, as was mentioned by an earlier panel member, is the age of the ownership of these properties. It is very difficult to convince a person to put a lot of money that they have saved all their life into trees that they will never see the maturity of. I think that, plus the fact that I think that they have probably done a certain amount of farming

on annualized payments for a number of years, make it very hard to change a person's way of doing business and way of thinking to see a wide gap from the time they start until the time they get their return. I think a very important factor in having a success in this program is an equitable annualized payment.

CONCLUDING REMARKS

Senator COCHRAN. Well, I appreciate very much your testimony and your taking the time to be here today and the thought that has gone into the preparation of your written statements. It has obviously been excellent, and I deeply appreciate that. I am confident this is going to pay off for us in terms of coming up with a better approach, better policy, and a way to implement that through tangible programs to help get more of this marginal land into timber. It would be better for landowners, better for the Government, better for environmental quality. I think all of the indications are that this is the direction in which we have to move.

I have been asked to state that there is a registration sheet available somewhere, in the back of the room, for attendees to sign. I don't know what you get if you sign it, a free copy of the transcript of the hearing after it is over with, I guess. We want to be sure to make available to any interested person a copy of the transcript of the hearing, and that is one way to assure that you will get a copy. It will be several weeks before that is done, but it may be of use to you and of interest to you to have.

I also want to express appreciation to the library for letting us use this facility. This is the second time that I have participated in a Senate hearing here in Tupelo at this location. I was recalling as I drove up into the parking lot that in 1979, Senator David Pryor and I—we were both newly elected Members of the U.S. Senate—were here in the aftermath of the energy shortages and the Allocation Program that was being developed. There was a great deal of concern that agriculture was being put too far down on the priority list, and we had a hearing here to look into the Allocation Program. As it turned out, we were able to get a higher priority for agriculture than had previously been planned, and many farmers in this area may remember that hearing and the impact that it had. I hope this hearing turns out to be successful, and that there will be results, there will be something done, something tangible to happen as a result of the hearing.

I also want to thank members of my staff and members of the staff of our subcommittee who have assisted in the planning and the arrangements for this hearing: Gray Reynolds, who is on my staff; Forest Thigpen, who is on the staff of my appropriations subcommittee, who is from Cleveland, MS, is here today and has been very helpful; David Graves, who is my special assistant for agriculture matters on my personal staff; and Frank Cushing, who is a member of the staff of the Interior Appropriations Subcommittee. These individuals have all been very instrumental in helping to plan and conduct this hearing.

Again, this has been conducted under the auspices of the Interior Appropriations Subcommittee, whose chairman is Jim McClure, and the full Appropriations Committee whose chairman is Mark Hatfield. For their agreeing to have me conduct this hearing and chair the hearing, I am very grateful.

PREPARED STATEMENT

This concludes the formal presentation of the panel. If there are any further statements to be submitted to the committee, we will be happy to receive those, and as I said at the outset, any form is satisfactory, even in the form of a written letter. That would be helpful, and we would include that as part of the testimony at this hearing.

[The following statement was submitted subsequent to the hearing:]

STATEMENT OF BOB IZLAR, EXECUTIVE VICE PRESIDENT, MISSISSIPPI FORESTRY ASSOCIATION, INC.

My name is Bob Izlar and I am the executive vice president of the Mississippi Forestry Association, Inc. [MFA]. MFA is a 1,200 member State nonprofit corporation whose members are individuals and business organizations. Its purpose is to promote forestry in Mississippi.

MFA supports title VI, section 19 of the Agricultural Programs Adjustment Act of 1984. Almost one-half of Mississippi's croplands classified as marginal cropland would be within the act's purview. This represents about 1.3 million acres which are subject to greater erosion than if planted in trees.

It seems to us that it would be better to give farmers an alternative method of growing a cash crop, preserving topsoil, and providing a method to repay delinquent funds. Under a scheme like the one proposed in this bill, everybody would be a winner. The Government may have to wait longer to get its money because, in most instances, a first thinning could not be accomplished until age 17. So, that would be the first year the Government or the landowner could expect a cash flow from their investment.

By not having such a provision in the bill, loans would be foreclosed, and valuable land could be taken out of production either permanently or for the long term. Through the years, numerous studies have cited the success of planting pine trees in old fields. Planting costs are low and survival rates are high. With current technology, yields could be even better than those attained through the Soil Bank Program.

We applaud the inclusion of this provision in the act.

CONCLUSION OF HEARING

Senator COCHRAN. If there are no further announcements, the hearing will be recessed.

Thank you very much.

[Whereupon, at 11:25 a.m., Monday, June 11, the hearing was concluded, and the subcommittee was recessed, subject to the call of the Chair.]

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